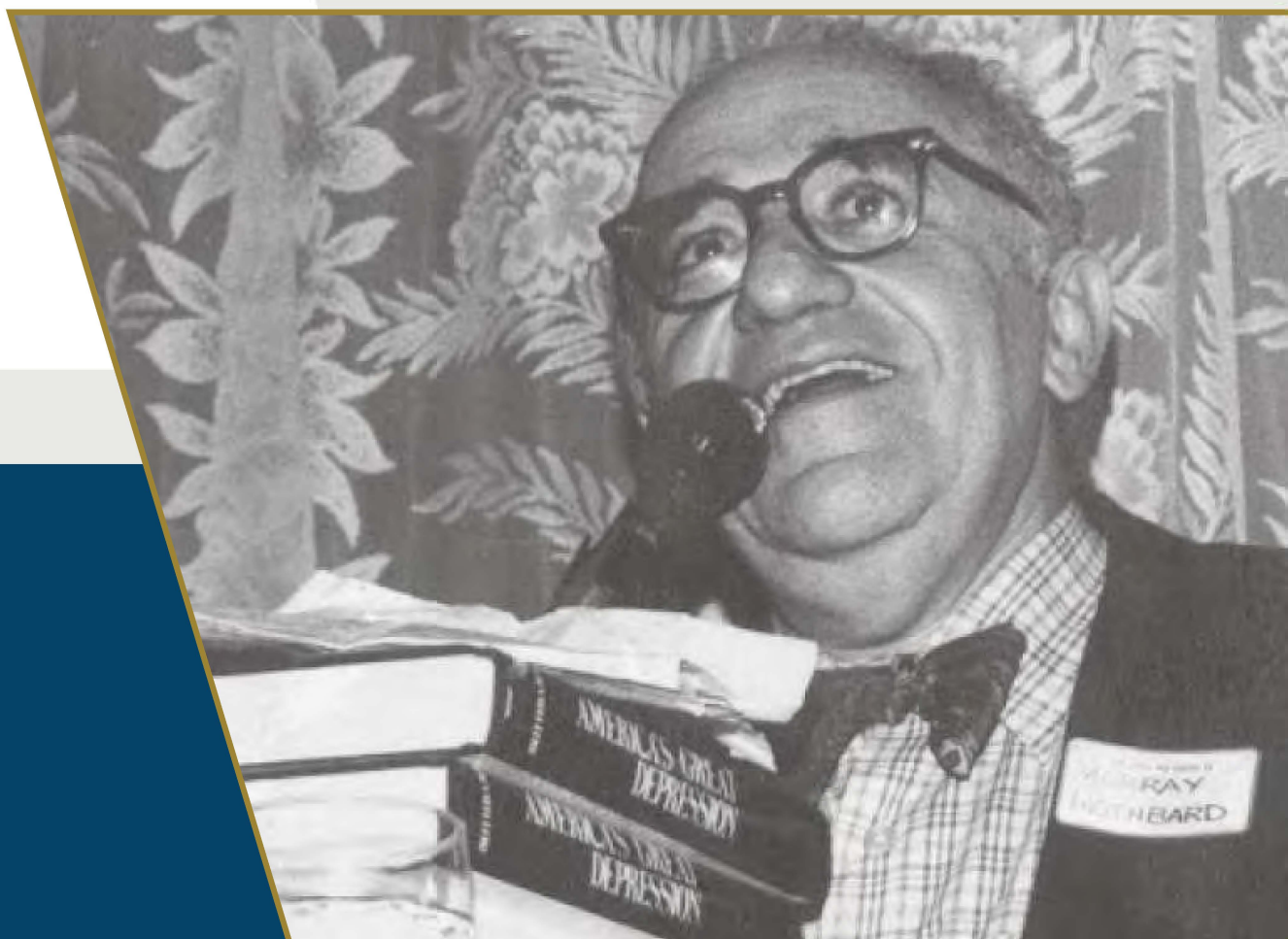


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ROTHBARD GRADUATE SEMINAR

2026

SUPPLEMENTARY READINGS



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Table of Contents

Introduction The Science of Liberty

- Rothbard, “Introduction to the First Edition”.....7

Session 3 Microeconomics

- Rothbard, “Review of Lawrence Abbott, *Quality and Competition* and Anthony Scott, *Natural Resources: The Economics of Conservation*”.....17
- Rothbard, “Untitled Letter Critical of Chicago School Economics”.....20
- Rothbard, “Competition and the Economists”.....27

Session 5 Monetary Theory

- Rothbard, “Fisher’s Equation of Exchange: A Critique”.....45
- Rothbard, “Letter on Henry Hazlitt and Keynes”.....55
- Rothbard, “Review of Lionel Robbins, *The Great Depression*”.....58

Session 7 Comparative Economic Systems

- Rothbard, “Postscript”.....65

Session 9 Property Rights and the Public Sector

- Rothbard, “Part III: The State Verses Liberty” and “Part IV: Modern Alternative Theories of Liberty”.....95

Session 10 A Libertarian Theory of Strategy

- Rothbard, “Rothbard’s Confidential Memorandum to the Volker Fund, ‘What Is to Be Done?’”..179
- Rothbard, “A Strategy for Liberty”.....196
- Rothbard, “The Influence of Radical Ideas,” “The Failure of Classical Liberalism,” “The Cadre, Coalitions, and the Pyramid of Ideology,” “Radical in Content, Conservative in Form,” “The Necessity of Graded Hierarchy,” “The Error of the Infallible Party,” “The Importance of the Press,” and “Requirements for Success”.....227
- Rothbard, “A New Strategy for Liberty”.....268

Introduction

The Science of Liberty

Murray N. Rothbard, "Introduction to the First Edition"
Egalitarianism as a Revolt Against Nature and Other Essays
(1974), pp. xv–xx.

INTRODUCTION TO THE FIRST EDITION

Probably the most common question that has been hurled at me—in some exasperation—over the years is: “Why don’t you stick to economics?” For different reasons, this question has been thrown at me by fellow economists and by political thinkers and activists of many different persuasions: Conservatives, Liberals, and Libertarians who have disagreed with me over political doctrine and are annoyed that an economist should venture “outside of his discipline.”

Among economists, such a question is a sad reflection of the hyperspecialization among intellectuals of the present age. I think it manifestly true that very few of even the most dedicated economic technicians began their interest in economics because they were fascinated by cost curves, indifference classes, and the rest of the paraphernalia of modern economic theory. Almost to a man, they became interested in economics because they were interested in social and political problems and because they realized that the really hard political problems cannot be solved without an understanding of economics. After all, if they were really interested mainly in equations and tangencies on graphs, they would have become professional mathematicians and not have devoted their energies to an economic theory that is, at best, a third-rate application of mathematics. Unfortunately, what usually happens to these people is that as they learn the often

imposing structure and apparatus of economic theory, they become so fascinated by the minutiae of technique that they lose sight of the political and social problems that sparked their interest in the first place. This fascination is also reinforced by the economic structure of the economics profession (and all other academic professions) itself: namely, that prestige, rewards, and brownie points are garnered not by pondering the larger problems but by sticking to one's narrow last and becoming a leading expert on a picayune technical problem.

Among some economists, this syndrome has been carried so far that they scorn any attention to politico-economic problems as a demeaning and unclean impurity, even when such attention is given by economists who have made their mark in the world of specialized technique. And even among those economists who do deal with political problems, any consideration devoted to such larger extra-economic matters as property rights, the nature of government, or the importance of justice is scorned as hopelessly "metaphysical" and beyond the pale.

It is no accident, however, that the economists of this century of the broadest vision and the keenest insight, men such as Ludwig von Mises, Frank H. Knight, and F.A. Hayek, came early to the conclusion that mastery of pure economic theory was not enough, and that it was vital to explore related and fundamental problems of philosophy, political theory, and history. In particular, they realized that it was possible and crucially important to construct a broader systematic theory encompassing human action as a whole, in which economics could take its place as a consistent but subsidiary part.

In my own particular case, the major focus of my interest and my writings over the last three decades has been a part of this broader approach—libertarianism—the discipline of liberty. For I have come to believe that libertarianism is indeed a discipline, a "science," if you will, of its own, even though

it has been only barely developed over the generations. Libertarianism is a new and emerging discipline which touches closely on many other areas of the study of human action: economics, philosophy, political theory, history, even—and not least—biology. For all of these provide in varying ways the groundwork, the elaboration, and the application of libertarianism. Some day, perhaps, liberty and “libertarian studies” will be recognized as an independent, though related, part of the academic curriculum.

This present volume is a collection of essays on liberty, on the groundwork, nature, and applications of the “science” of libertarianism. Some of them have been unpublished until now; most of the others appeared in fugitive publications that are now defunct.

The title essay was delivered at a conference on human differentiation held by the Institute for Humane Studies at Gstaad, Switzerland, in the summer of 1972. A fundamental reason and grounding for liberty are the ineluctable facts of human biology; in particular, the fact that each individual is a unique person, in many ways different from all others. If individual diversity were not the universal rule, then the argument for liberty would be weak indeed. For if individuals were as interchangeable as ants, why should anyone worry about maximizing the opportunity for every person to develop his mind and his faculties and his personality to the fullest extent possible? The title essay locates the prime horror of socialism as the egalitarian attempt to stamp out diversity among individuals and groups. In short, it reflects the grounding of libertarianism in individualism and individual diversity.

“Left and Right: The Prospects for Liberty” is an ideological manifesto for libertarianism, placing the current movement and ideology in a world-historical context and perspective, and analyzing our relation to “left,” “right,” and

in between, to socialism and to conservatism. It also presents the basic reasons for the growth of statism in the modern world and the case for fundamental long-run optimism on the future prospects for liberty.

“The Anatomy of the State” presents the libertarian case for the State as the age-old enemy of liberty, an analysis of how the State arises, and how it perpetuates itself through an alliance with “Court Intellectuals” who propagate the apologetics for despotism and State rule. Also included is a critique of various arguments for State rule and for the supposed solution of a Constitution to bind the State down.

“Justice and Property Rights” is an unpublished paper delivered at a conference on property rights held by the Institute for Humane Studies in January 1973. It presents the philosophic groundwork for the libertarian axiom of nonaggression against person and property, and adumbrates a theory of justice in property rights; that is, which asserted property rights are truly to be supported and which are not.

“War, Peace, and the State” specifically applies the libertarian axiom of nonaggression to an area where most Libertarians have been weakest: war and foreign policy. Given the unfortunate existence of States, how can their nonintervention abroad as well as at home best be secured?

“The Fallacy of the Public Sector” analyzes the fallacy of economists placing government operations as part of legitimate and productive activity and criticizes the two major arguments of even the most free-market oriented of economists for government intervention: “collective goods” and “neighborhood effects.”

“Kid Lib” and “Women’s Lib” apply the libertarian creed to various areas of assertedly needed “liberation.” To what extent have women or children been “oppressed,” and what does a rigorous application of the libertarian creed have to

say about it? In particular, how can the concept of property rights and self-ownership be applied to children? At what stage in their development should they be considered as having full rights?

“Conservation and the Free Market” applies free-market economics and property rights to the area of the most recent hullabaloo by Leftists and opponents of a free society: the whole area of ecology and pollution. Can a free market and free society work in this area, or is comprehensive State planning needed to solve these broad interpersonal problems?

The next four essays take concepts that are propounded by various brands of Leftists and analyze their merits and demerits. “The Meaning of Revolution” discusses what “revolution” really is and to what extent Libertarians may be considered as “revolutionaries.” “National Liberation” explains how this concept can be interpreted as a libertarian movement from below, against continuing imperial aggression by other nations. “Anarcho-Communism” is a critique of the self-contradictory movement for libertarian collectivism which took hold among some Libertarians in the late 1960s. “The Spooner–Tucker Doctrine” is a critique of the nineteenth-century individualist anarchist creed from the point of view of a *laissez-faire* economist—with the differences found in the Spooner–Tucker ignorance of the politics and economics of money, their refusal to recognize the legitimacy of land rent, and their failure to see that private juries must adopt an objective code of libertarian law in order to make consistent or libertarian decisions.

“Ludwig von Mises and the Paradigm for Our Age” is my tribute to the economic genius of Mises and his courageous battle for *laissez-faire*, but it is also something else: a philosophico–sociological explanation of why Misesian economics has been neglected in the modern world, using Thomas Kuhn’s famous “paradigm” theory in the history of science.

Finally, the concluding essay is a cry from the heart on the basic reason why a person should be a Libertarian: not as an intellectual parlor game, not from the utilitarian weighing of costs and benefits, and not because there will be X percent more bathtubs produced in the free society. The basic reason for one's libertarianism should be a passion for justice, for sweeping away as quickly as possible the tyranny, the thievery, the mass murder, and enslavement, which statism has, for too long, imposed upon mankind. It is only such a concern for justice that can inspire the Libertarian to try to abolish, as quickly as he can (and far from the Marxian sense), the exploitation of man by man.

Murray N. Rothbard
1974

Notes

Notes

Session 3

Microeconomics

Murray N. Rothbard, “Review of Lawrence Abbott, *Quality and Competition* and Anthony Scott, *Natural Resources: The Economics of Conservation*,” *Strictly Confidential: The Private Volker Fund Memos of Murray N. Rothbard* (2010), pp. 257–259.

Murray N. Rothbard, “Untitled Letter Critical of Chicago School Economics,” *Strictly Confidential: The Private Volker Fund Memos of Murray N. Rothbard* (2010), pp. 295–301.

Murray N. Rothbard, “Competition and the Economists,” *Strictly Confidential: The Private Volker Fund Memos of Murray N. Rothbard* (2010), pp. 307–320.

5. Review of Lawrence Abbott, *Quality and Competition* and Anthony Scott, *Natural Resources: The Economics of Conservation*

July 21, 1958

Mr. Kenneth S. Templeton
William Volker Fund

Dear Ken:

Lawrence Abbott's *Quality and Competition*⁴¹ and Anthony Scott's *Natural Resources: The Economics of Conservation*⁴² are two of the best economics works I have read in many a year. They are both delightful, and it will be a great day if every book you sent me were of comparable quality.

Abbott's book is a masterpiece and displays fine theoretical acumen coupled with ability to get down to essentials and avoid all the mathematical mumbo-jumbo—a rarity these days. Abbott attacks neoclassical competition theory in such a way as to bring him very close to the Austrian position without knowing it. Abbott shows that quality competition is not only *not* a poor substitute for price competition, as modern theorists proclaim, but an essential to what he calls "complete competition," which combines price and quality competition, so that it is really a deficiency when quality competition is absent. He also follows Hayek and J.M. Clark in stressing competition as a dynamic process and not as a set of static equilibrium conditions. Further, he takes the extremely good step of stressing that the only real block to competition is *restraint* of the market, rather than "too few firms," "too large a share of the market," etc.

He stresses the value for competition of brand names, advertising (to satisfy consumer wants more fully and give them more information), diversity of product. In short, his emphasis is not on some arbitrary concept of "pure" or "perfect" competition, as in the

⁴¹ New York: Columbia University Press, 1955

⁴² Toronto: University of Toronto Press, 1955

case of most modern theorists (and where diversity, advertising, etc. are considered “monopolistic”), but on *free* competition, on the freedom of entry into a field or industry and the absence of institutional restraints. Unfortunately, Abbott considers voluntary cartels restraints along with government monopolization and interference, but his attitude is so infinitely better than almost all of his colleagues in the field that there is no point of caviling here.

There are many gems scattered throughout the book. Completely original is Abbott’s ingenious definition of quality competition. Before this, economists, including myself, have thought that *theory* need not account specially for quality because a different quality good for the same price is equivalent to a different price for the same good. A different quality would, further, be simply treated as a different good for most purposes, as the same good for others. Up till now, no one has been able to distinguish theoretically between a different quality and a different good. Abbott furnishes an excellent distinction based upon the thesis that the same good satisfies the same *want*, so that there can be quality variations within the same want. This is consonant with the Austrian tradition and is an innovation within it. Further, as Abbott points out, using this stress on class of wants, he can show (in the Austrian tradition) that a greater variety of goods or an increasing standard of living fulfills more wants, or fulfills them with greater precision and accuracy than before. He also distinguishes usefully between “horizontal,” “vertical,” and “innovatory” differences in quality (a “vertical” difference is one that would be agreed upon by everyone—a soap that cleans better, etc.—and a “horizontal” caters to different tastes: different colored ties, etc.)

I am not prepared to say how fruitful Abbott’s distinction will turn out to be, particularly in the development of economic theory, where my hunch is that current Austrianism will do well enough without tacking on Abbott’s “quality models” to the price models of current theory. But this is no matter; the important parts of the book are not the attempt to build up a new equilibrium theory, but in his excellent insights into the nature of competition, his new approach to quality, and his approach to Austrianism in the course of his attack on

current fallacies. His attacks on monopolistic and pure competition theory are excellent. His discussion of innovation theory is better than Schumpeter's. All in all, this is a fine book, and the author is definitely worth pursuing.

Anthony Scott's book also deserves the warmest praise. Here is a great book on conservation, theoretical and yet covering the crucial factual details for each important country and natural resource. Here is a definitive blast, at long last, at the conservation hokum. Scott shows that there need be no worries, on the free market, about excess depletion, because any resource will be preserved so that its capital value will be taken into consideration, and this will be the capitalized value of expected future returns. Nobody ravages a forest if he also owns that forest and is interested in its capital value. The key then, as Scott sees, is that private ownership should rule in natural resources, for if the resource is unowned, then surely it will be ravaged.

Scott also sees that many current cases of "ravaging" are due to the fact that there is no "unitization" of the resource; i.e., the resource should be owned as a technological unit. This implies first-user ownership, say, of a whole-unit oil pool or fishery. Numerous anticonservation arguments are included. Scott shows that forests should be privately owned; wildlife should be converted into private property, etc.

In practical politics, Scott hints that he would go very slowly, etc., but the whole brunt of his argument really cuts in our favor, even though the volume has all the wariness of conclusion (and the bad writing) of a PhD thesis.

Scott, as the outstanding anticonservationist that I know of, is definitely worth investigating.

6. On the Definition of Money

April 1959

The recent excellent articles by Gordon W. McKinley and Donald Shelby highlight the importance of a still unresolved problem: the

of his discovery of the “terms of trade” argument for tariffs, which Robbins takes so seriously as to make up virtually the entire chapter. Yet this is surely a fallacious argument; the tariff is essentially a “negative railroad”—an artificial imposition of transport costs—and, if we take the methodological-individualist point of view, it is clear that a tariff can only benefit a few “monopolists” at the expense of the bulk of the consumers in the area.

We thus see that, despite the numerous merits of the volume, a great deal of it is used to demonstrate—supposedly—the weaknesses and failings of the free market in harmonizing individual and social interests, and therefore where government action must “correct” the free market: specifically, in the areas of colonization (governmental), of imposing an artificial scarcity on land, and of protective tariffs—and there is also a strong implication that Keynesian measures would be required in a depression, since Torrens is hailed for his pre-Keynesian doctrine. I would have to say, therefore, that overall, Robbins’s book is not sound enough for National Book Foundation distribution.

12. Untitled Letter Critical of Chicago School Economics

February 3, 1960

Dr. Ivan R. Bierly
William Volker Fund

Dear Ivan:

I must say that the more I read the general, all-around works of the “Chicago School” of economics, the less I am impressed.

A good example of the approach of this school is Clark Lee Allen, James M. Buchanan, and Marshall R. Colberg, *Prices, Income, and Public Policy*.⁶⁵ As you will see, I was impressed neither by the technical economic analysis nor by the more politico-economic sections.

⁶⁵ 2nd ed., McGraw-Hill, 1959

Let us take the broader or more “political” sections first. First it must be said that on the two great foci of attack on the free-market economy by left-wingers—the Keynesian problem of “cyclical instability” and unemployment, and the alleged problems of “monopoly,”—Allen, Buchanan, and Colberg take up the hue and cry against the market with the rest of the “pack.” Oh, very gently and very moderately, compared to most other textbooks, it is true; but still the essence of the charges is there, and the case has been given away.

In the “national income” field, the authors enlist themselves wholeheartedly as what we may call “moderate Keynesians.” The crucial thing here is that they accept the fundamental Keynesian point and accept it blithely as above discussion: that the free market, left to itself, has no mechanism for keeping its aggregate self in balance, for avoiding business cycles, depressions, unemployment, etc. Government, then, must step in to regulate the system: to keep the price level stable, to pump in money in depressions in order to cure unemployment, to tighten up money in booms. Government is considered the natural and indispensable regulator. The free market has no way of keeping national income high enough or savings and investment in balance. Thus, the fundamental Keynesian point has been conceded.

It is true that surrounding this hard core, the authors put in “conservative” modifiers: they prefer the government to use monetary policy in its contracyclical efforts rather than fiscal policy, and they even hint the latest Friedman line that they might prefer automatic monetary rules to managed, discretionary monetary policy. But while an improvement over most textbooks, this is not good enough. The authors, in the usual Chicago tradition, show themselves completely ignorant of the Misesian theory of the business cycle, and loftily dismiss the gold standard as hardly worthy of note—never even considering that they might find the monetary automaticity they are seeking in the gold-coin standard. But the most important flaw is their conceding the fundamental Keynesian point.

The authors worry a lot, also, about monopoly. Of course, they think that monopoly can abound on the free market—we cannot

expect any economist to take the revolutionary step of denying *that* proposition. But they can be condemned for not even getting as realistic about the market as Chamberlin or, from another direction, Lawrence Abbott, whose seminal book is ignored by these authors as well as everyone else. In fact, the authors cling to the absurd and dangerous Chicago model of “perfect” or “pure” competition, which they persist in considering the normative ideal.

Of course, empirically, they overlaid this terrible flaw with some good remarks: indicating that they believe that the most important empirical instances of monopoly power are caused by government intervention, attacking the fair-trade laws, etc. But these good qualifiers are hardly enough to save the day. On the contrary, what the authors do is to say: *Well yes, we admit that the whole market is interlarded with “monopoly power,” and this is unfortunate but really unimportant, except that. . . .* And here, the authors feel free to engage in sudden hit-and-run attacks on cases which *they*, for some reason, feel are important instances of monopoly power that should be busted or regulated by government. Thus, the authors are strong for the antitrust laws, and want to see them strengthened further and enforced more stringently. They have the gall to call the decision outlawing basing-point pricing a great “victory for society,” and they endorse the FTC’s desire to get the power to enjoin any mergers in advance. Using the “perfect competition” model, the authors also show great hostility toward the alleged great “wastes” of advertising.

The authors are pretty good in criticizing the “monopoly power” of unions, but here again their case is greatly weakened by their conceding validity to the absurd and fallacious “problem of monopsony,” which somehow makes out employers to be as inherently monopolistic as unions. They also concede that “natural monopolies,” such as public utilities, have to be regulated by government, even though they point out, very well, many of the pitfalls and inconsistencies inherent in public utility regulation. But the force of the latter are, once again, vitiated by their concession to the opponents of freedom of their fundamental point: that public utilities simply *have* to be regulated by government.

The authors also endorse all the fallacious arguments for government action such as the “collective good” argument and the free-rider, or external-benefits, argument. Thus, they endorse public education because of the alleged long-run benefits to everyone, which people are too shortsighted to pay for voluntarily. On the theory of exchange rates, they are good as far as they go in pointing to the functions of the free exchange market and the perils of exchange control, but they seem to be completely ignorant of the purchasing-power-parity explanation of the determinants, on the free market, of what makes the exchange rates what they are.

On foreign aid and underdeveloped countries, they are surprisingly poor and weak, their section on underdeveloped countries saying very little and including none of the Bauer insights, and actually endorsing both the economics and politics of foreign aid to these countries.

Rather than multiply examples of flaws further, I think it important to emphasize that this book brings home as few have done to me how much can go wrong if one’s philosophical approach—one’s epistemology—is all wrong. At the root of almost all the troubles of the book lies the weak, confused, and inconsistent *positivism*: the willingness to use false assumptions if their “predictive value” seems to be of some use. It is this crippling positivist willingness to let anything slip by, to *not* be rigorous about one’s theory because “the assumptions don’t have to be true or realistic anyway,” that permeates and ruins this book.

For example, the authors are keen enough, in the monopoly sections, to sense that there is something very wrong with the whole current theory of monopoly, that it is even impossible to *define* monopoly cogently, or define monopoly of a commodity. But while they see these things, they never do anything about it, or start from there to construct an economics that will stand up—because they are thoroughly misled by their positivist attitude of “well, this might be a useful tool for some purposes.” Hence their clinging to the absurd “ideal” of perfect competition, etc.—and in many other ways.

This same grave philosophical confusion permits them to suddenly slip their own ethical judgments into the book, undefended

and practically unannounced. Suddenly, they say that the outlawing of basing-point pricing was a great “social victory”—I said that this was *gall* because they had never bothered to construct or present a cogent ethical system on which to make such a remark. Similarly, they feel free, while cloaking themselves in the robes of scientists, to say suddenly that of course there has to be compulsory egalitarianism, with the government enforcing some equality through taxes and subsidies. Why? Simply because it seems evident to them that a little more equality would be better, and that we can’t let the weak be “liquidated.”

And they have even the further colossal gall to denounce “price discrimination” (e.g., doctors charging more to the rich than to the poor) because it is, for some reason, terribly unethical for private people to engage in their own strictly voluntary redistribution of wealth. Apparently, and they say so explicitly, it is *only* legitimate for the government to effect this redistribution by coercion. This ethical nonsense they don’t feel they have to defend; it appears self-evident to them. It is this kind of slipshod, unphilosophic, sophomoric “ethics” that is again typical of the Chicago School in action.

The pervading positivist epistemology pervades the technical economic analysis as well. The usual fashionable jargon of the “short-run” cost curves of the firm, etc. are used, despite the recognition by the authors that it is all rather arbitrary; this they brush aside with the retort that it can have some “predictive value.” The term that I think best describes the shoddiness and eclecticism induced by this philosophic approach is “irresponsibility.” For if a theory or analysis doesn’t have to be strictly true or coherently united to other theory, then almost anything goes—all to be justified with “predictive value” or some other such excuse.

Happily, I can illustrate what I mean in a little exchange of letters that I had last week with Jim Buchanan about one minor piece of technical analysis in this book. I was appalled by the construction of a so-called “fixed demand” curve, which was clearly thrown in so as to have something geometrically symmetric with the standard, and perfectly proper, fixed-supply curve for the immediate

market. The authors said that a fixed, vertical demand curve is illustrated by the government's demand for soldiers, and that if not enough people volunteer, the government will draft the rest. Now this is pure nonsense, since drafting cannot be illustrated by a demand curve. But what struck me is that even on the authors' own terms, the analysis is nonsense, since, if say the government wants 100,000 men in the army and its "demand curve" is therefore vertical at this amount, but if so many people are 4-F or exempt that only 60,000 can possibly be hired or drafted, we then have a vertical supply and vertical demand curve which never intersect. On the authors' own premises, then, *no one* would be in the army, which is clearly absurd.

So I wrote to Jim Buchanan asking him to clear up this point, and saying that maybe I was overlooking the happy and obvious solution. What interests us here, as revelatory of Buchanan's philosophical irresponsibility, was his reply. The reply *conceded* my point in full. Yes, his model *does* lead to absurd conclusions. Here is Buchanan's justification:

Your letter points up the limitations of applying too literally many of our analytical tools. You are quite right in saying that the solution . . . under your assumptions is absurd. But this is really the same in all of those cases in which we make rather extreme assumptions. . . . At best, the fixed demand and fixed supply models are useful in that they isolate certain forces, and in few cases, the models themselves are useful for predictive purposes.

He goes on to say that he tried to find a case of fixed demand as a counterpart to the usual fixed supply case, and could only think of the draft example as remotely suitable.

Now, it seems to me that this kind of philosophy, this positivistic approach to economic theory, corrupts it, if I may use so strong a term, at the very core, and that no theory of lasting merit can emerge from this sort of cauldron. And this book of Allen, Buchanan, and Colberg

is a particularly clear example of how this positivistic “corruption” ruins almost every key section of the book.

13. Review of Benjamin Anderson, *The Value of Money*

January 20, 1960

Dr. Ivan R. Bierly
William Volker Fund

Dear Ivan:

While there are many interesting points and facets in Benjamin M. Anderson’s *The Value of Money*, I would emphatically advise against adopting it for National Book Foundation distribution.⁶⁶ The trouble is that, in relation to the two central themes of the book, the marginal utility theory of value and the quantity theory of money, Anderson comes down squarely and emphatically on the wrong side. He is determinedly opposed to the Austrian utility theory and attempts to replace it with a vague “social value” theory—and with flagrant lack of success. And the bulk of this large work is devoted to a bitter, detailed attack on the quantity theory of money, which, while incomplete in itself, is the groundwork for any correct theory of money.

In his value theory, Anderson hopelessly aligns himself with such social deterministic sociologists as Charles H. Cooley and with John Dewey. In his critique of the quantity theory, Anderson makes much shrewd headway against the mechanical, mathematical type of quantity theory, or “equation of exchange,” expounded by Irving Fisher, but these valuable passages are marred, overall, by Anderson’s hostility to the quantity theory itself. He therefore, after stoutly and erroneously maintaining that “money is capital,” concludes that the quantity theorists are wrong in thinking that, in the long run at

⁶⁶ Benjamin M. Anderson, *The Value of Money* (New York: Macmillan, 1917).

It is because of these important errors and flaws in the Clark pamphlet that I would, despite the numerous valid insights and points he makes, recommend against any widespread distribution by the fund of *Growthmanship* in this country.

15. Competition and the Economists

May 1961

To: Robbie

From: Murray

To Adam Smith and to his successors, “competition” was not a term defined with mathematical precision; it meant, generally, “free competition,” i.e., competition unhampered by governmental grants of exclusive privilege. And “monopoly” tended to mean such grants of governmental privilege.

To Adam Smith, for example, “competition” was used in the common-sense way that businessmen use it: to mean rivalry between two or more independent persons or firms. “Free competition” meant absence of grants of exclusive privilege, freedom of trade and freedom of entry into occupations; “monopolies” meant grants of exclusive privilege.

When Smith used the term “competition,” for example, he used it to describe the competition among buyers, which bids prices up when demand exceeds supply, or the competition of sellers, which bids prices down when supply is greater than demand.⁶⁹

When Smith referred to the evils of restraining competition, he referred to “the exclusive privileges of corporations . . . [and] an incorporated trade.” Smith was describing the guild and licensing regulations of European towns.⁷⁰ That by “monopoly” Smith meant governmental grants of exclusive privilege may be seen in the following passage:

⁶⁹ Smith, *Wealth of Nations*, Modern Library, pp. 56–57

A monopoly granted either to an individual or to a trading company has the same effect as a secret. . . . The monopolists, by keeping the market constantly under-stocked . . . sell their commodities much above the natural price . . . the price of free competition. . . .

The exclusive privilege of corporations, statutes of and apprenticeship, and all those laws which restrain, in particular employments, the competition to a smaller number than might go into them, have the same tendency, though in a less degree. They are a sort of enlarged monopolies, and may frequently . . . in whole classes of employments keep up the market price of particular commodities above the natural price. . . . Such enhancements of the market price may last as long as the regulations of police which give occasion to them.⁷¹

Smith's one important—and unfortunate—deviation from this view is his tendency to view land as a “monopoly” because the total supply of land in the society is more or less fixed.

Ricardo had virtually nothing to add to Smith's treatment. He said nothing at all explicitly about competition; and his reference to monopoly was only in two or three places, and there closely followed the Smith position. There are several pages of attack on the British colonial monopolies—grants of exclusive privilege such as the British East India Company, which Smith had attacked vigorously;⁷² he also continued, and unfortunately sharpened, the other tendency of Smith to dub as “monopoly” a fixed supply, also indicating land: “Commodities are only at a monopoly price when by no possible device their quantity can be augmented . . .”⁷³

Of the role of free competition among the classical economists, Gide and Rist write,

⁷¹ Smith, *ibid.*, pp. 61–62

⁷² Ricardo, *Principles*, Everyman ed., pp. 229 ff.

⁷³ Ricardo, *ibid.*, p. 165

their program includes liberty to choose one's employment, free competition, free trade beyond as well as within the frontiers of a single country, free banks, and a competitive rate of interest; and on the negative side it implies resistance to all State intervention wherever the necessity for it cannot be clearly demonstrated. . . . In the opinion of Classical writers, free competition was the sovereign natural law. . . . It secured cheapness for the consumer, and stimulated progress generally because of the rivalry it aroused among producers. Justice was assured for all, and equality attained, for the constant pursuit of profits merely resulted in reducing them to the level of cost of production. *The Dictionnaire d'Economie Politique* of 1852, which may perhaps be considered the code of Classic political economy, expressed the opinion that competition is to the industrial world what the sun is to the physical.⁷⁴

John Stuart Mill continued in the same tradition. To him, too, "monopoly"—the opposite of competition—was artificial grants of exclusive privilege:

The usual instrument for producing artificial dearness [by government] is monopoly. To confer a monopoly upon a producer or dealer, or upon a set of producers or dealers not too numerous to combine, is to give them the power of levying any amount of taxation on the public, for their individual benefit, which will not make the public forgo the use of the commodity. When the sharers in the monopoly are so numerous and so widely scattered that they are prevented from combining, the evil is considerably less: but even then

⁷⁴ Charles Gide and Charles Rist, *A History of Economic Doctrines From the Time of the Physiocrats to the Present Day*, Heath, 1930, pp. 357–58

the competition is not so active among a limited as among an unlimited number. . . . The mere exclusion of foreigners, from a branch of industry open to the free competition of every native, has been known, even in England, to render that branch a conspicuous exception to the general industrial energy of the country. . . . In addition to the tax levied for the profit, real or imaginary, of the monopolists, the consumer thus pays an additional tax for their laziness and incapacity.⁷⁵

Mill, however, extended the discussion of monopoly beyond such “artificial” monopoly, to what he called “natural monopoly,” which consisted of two categories: the familiar “land monopoly” caused by the fixed supply of land; and the “natural monopoly” of especially unique ability or skill of a laborer. In both cases, the “monopoly” gave rise to a “rent” income.

Amidst this general posture of classical economics, two classical economists deviated—in unfortunate ways—from this tradition, broadening the view of the pervasiveness of monopoly in the economic system. One was Nassau W. Senior. Senior anticipated the much later “monopolistic competition” theorists by seeing monopoly and monopoly elements everywhere. To Senior, if a commodity was not produced under strictly “equal conditions,” monopoly, or elements of monopoly, appeared. Senior recognized that such “equal conditions” appeared vary rarely. Senior was particularly ardent in pressing for the idea of a “land monopoly”; not only was land a monopoly, but every product into which land entered as a factor of production partook of a “monopoly” element—and this, of course, meant virtually every product.

Nassau Senior divided his concepts of monopolies into four classes: where one product is more efficient than another, and can thus produce at lower costs and sell at lower prices; fixed natural products (rare wines); patents and copyrights; and the “great monopoly of land.”

Haney comments on Senior’s theory:

⁷⁵ John Stuart Mill, *Principles of Political Economy*, Appleton, 1901, II, p. 547

The weakness of defining monopoly in negative terms, as being the absence of equal competition, is apparent. Perfectly equal competition is rare, and elements of differential advantage abound on all hands, so that such a definition would make monopoly the rule. The essential error of Senior's position, however, lies in the confusion of differential advantage with control over supply. The one is price-determined; the other price-determining.⁷⁶

The other classical economist who widened the definition of monopoly was the last of the classicists: John E. Cairnes. In the first place, while the other classicists tended to define free competition as the system that, in the long run, leads to prices being equal to the costs of production, Cairnes defined the *result*—prices equaling costs of production—as free competition. Hence, Cairnes began the fatal modern propensity for defining the ideal of competition, not as the *process* that, in the long run, tends toward a certain equilibrium position, but as the *equilibrium condition* itself. Since the equilibrium position is never really reached, then a position such as Cairnes's, regarding all deviations from that equilibrium position as having elements of "monopoly," tends to brand the whole market economy as having elements of monopoly, as falling short of the ideal, etc.

The other unfortunate widening by Cairnes of the monopoly concept, was to expand on Mill's hint about monopoly of ability; extra skill and extra training of laborers, according to Cairnes, gave them a "monopoly," and therefore gave to higher-wage laborers a "monopoly return." (Classical economists always grouped productive factors: such as "labor," "land," etc. together, and tried to arrive at theories of pricing and distribution on this aggregate basis. Therefore the classicists had no real means of handling the pricing of *individual* labor or land or capital services of specific goods, or the "distribution" of income accruing to them. Cairnes's theory was an attempt praiseworthy in this sense, to break down this lumped mass factor "labor" into more

⁷⁶ Lewis H. Haney, *History of Economic Thought*, Macmillan, 1949, pp. 347–48

realistic components. But, unfortunately, he termed the differentials in skills “monopoly.”) Cairnes also dubbed the different groups of skills among laborers, “non-competing groups,” i.e., that laborers only competed among themselves within each group, and not between groups.

It is important to realize that the various wings of socialists, during the nineteenth century, never accused the free-market capitalist system of being “monopolist” or “monopolistic.” Instead, they agreed with the classical economists that the market economy was competitive; their strictures and attacks were directed elsewhere. In fact, they often attacked competition itself, as being wicked: Sismondi, the utopians, the Fabians, etc. Karl Marx not only agreed that capitalism was competitive, but the Marxian iron laws of labor, of labor theory of value, of equalization of profit rates, etc. built upon classical foundations, all assumed the workings of competition. It was only much later, at the turn of the twentieth century, that Lenin and other later Marxists coined the doctrines of “monopoly capitalism,” of monopoly capitalism leading to imperialism, etc.

Meanwhile, unheralded and unrecognized at the time, the French mathematician Augustin Cournot, founded not only mathematical economics but also modern monopoly and perfect-competition theories, in his *Principes* in 1838. To make things easy for using the calculus in dealing with profits, revenues, and costs of a business firm, Cournot defined competition as that situation where price does not vary with the quantity of the good produced: i.e., where the demand curve for the firm is horizontal, or “perfectly elastic.” Not only did Cournot thus found the basic axiom of perfect competition theory, he also believed that such a condition only obtains where the number of firms is large, and that when firms are fewer, “oligopoly” ensues. Cournot worked out a theory of “duopoly.”

Thus, with Cournot, the seeds of modern perfect-competition and monopolistic-competition theories were already set, as well as modern mathematical economics: “competition” only occurs when the demand curve for the firm is horizontal; this takes place only when the number of firms in the industry is very large; a smaller number leads to “monopolistic” situations of “oligopoly,” etc. Of

course, a single firm in an industry, where the demand curve is of course falling, Cournot defined as a “monopoly.”

The year 1871 marked the publication of three independent works which were to overthrow the classical era and inaugurate the neo-classical. One, by the founder of modern mathematical economics, was the *Elements* of the Swiss economist, Léon Walras. While Walras brought back Cournot, and Cournot’s definition of monopoly as a single seller of a good, with price higher than cost of production, the emphasis in Walras was completely different.

As Walras put it, “Cournot . . . makes the transition from the case of a single monopolist to that of two monopolists, and, finally, from monopoly to unlimited competition. I have preferred, for my part, to start with unlimited competition as the general case, and then to work towards monopoly as a special case.”⁷⁷

Walras, in short, saw “free competition” as the ruling case, and monopoly as isolated, special cases of single sellers. Furthermore, Walras, while politically something of a Henry Georgist in favor of land nationalization, in economic theory deplored the idea of the classicists that land is a “monopoly,” simply because it had a fixed or limited quantity. As Walras noted, “all productive services are limited in quantity When the meaning of the term monopoly is broadened to this extent, so that it includes everything, it means nothing.”⁷⁸

Carl Menger, the second neoclassical pioneer, founder of the Austrian School, regarded competition and monopoly in much the same way. The economy in general was characterized by competition; “monopoly,” in contrast, referred to cases of single sellers. Not being a believer in mathematical economies, Menger was even less tempted than Walras to succumb to the Cournot propositions. While Menger was imprecise in defining “single sellers,” the examples he used were those of grants of exclusive privilege by government: the British East India Company, the medieval guilds. Menger’s great disciple, Eugen

⁷⁷ Léon Walras, *Elements of Pure Economics*, Irwin, 1954, p. 440

⁷⁸ Walras, *ibid.*, p. 436

von Böhm-Bawerk, didn't discuss problems of monopoly, and in so doing, implied that the economic system was generally competitive.

Of the neoclassicists, it was the Englishman, William Stanley Jevons, *Theory of Political Economy*, who propelled economic thought in the direction of "perfect competition," as compared to the plain classical and neoclassical view of "competition" or "free competition." For Jevons, "perfectly free competition" implied not only absence of price discrimination (which Walras also discussed), but also a large number of buyers and sellers in each industry.

Approaching the view of perfect competition (Jevons was also a mathematical economist, by the way), Jevons defined such a case as "a single trader . . . must buy and sell at the current prices, which he cannot in an appreciable degree affect." To Jevons, also, a "perfect market" implied "perfect knowledge of the conditions of supply and demand, and the consequent ratio of exchange" on the part of "all traders."⁷⁹ However, Jevons, while carrying on this Cournot tradition and giving it the name of "perfect," did not carry it through consistently. For he realized, in the preface to his second edition, that since all goods are, in a sense, unique, that (in this sense) "[p]roperty is only another name for monopoly." Therefore, Jevons saw that in the overall market economy "*monopoly* [as he defined it] *is limited by competition*, and no owner, whether of labour, land, or capital, can, theoretically speaking, obtain a larger share of produce for it than what other owners of exactly the same kind of property are willing to accept."⁸⁰

Jevons, however, had been the first to give a rigorous definition of "perfect competition." Continuing in this path was the English mathematical economist, Francis Y. Edgeworth, *Mathematical Psychics* (1881). Edgeworth pressed on to more rigorous definitions, anticipating the modern position: perfect competition involved, Edgeworth maintained, an indefinitely large number of firms and complete divisibility of the product. The enormous influence of mathematics on Edgeworth's definition can be indicated from this passage:

⁷⁹ William Stanley Jevons, *Theory of Political Economy*, Macmillan, 3rd. ed., p. 87

⁸⁰ Jevons, *ibid.*, pp. xlv–xlvi

A *perfect* field of competition professes in addition certain properties peculiarly favourable to mathematical calculation; namely, a certain indefinite *multiplicity* and *dividedness*, analogous to that *infinity* and *infinitesimality* which facilitate so large a portion of Mathematical Physics (consider the theory of Atoms, and all applications of the Differential Calculus).⁸¹

Alfred Marshall, on this as in on so many other issues, was an eclectic tangle of confusions and inconsistencies, varying in his editions of his *Principles* (1st ed., 1890). There were two basic and conflicting strains in Marshall here. On the one hand, he had a position close to the classicists: considering free competition as a broad relationship holding throughout the market, and not feeling the need to make the definition of competition narrow and rigorous. In fact, he expressly attacked the doctrine of “perfect competition” in his eighth edition, and said that a negatively sloping demand curve to a firm was compatible with competition. The term “monopoly” was used but not precisely defined, but presumably referred to a single seller of a commodity.

On the “perfect knowledge” assumption in perfect competition, Marshall was properly caustic:

we do not assume that competition is perfect. Perfect competition requires a perfect knowledge of the state of the market. . . . [I]t would be an altogether unreasonable assumption to make. . . . The older economists, in constant contact as they were with the actual facts of business life, must have known this well enough; but, partly because the term “free competition” had become almost a catchword . . . they often seemed to imply that they did assume this perfect knowledge.⁸²

⁸¹ Edgeworth, *ibid.*, p. 18.

⁸² Alfred Marshall, *Principles of Economics*, Macmillan, 1938, 8th ed., p. 540

On the other hand, Marshall, too, was influenced by mathematical economists to some degree, and therefore by Cournot. In the third edition of his *Principles*, he introduced the Cournot idea that the horizontal demand curve for the firm was the *ruling* fact in the economy, and that the falling demand curve was the exception. Here was the disastrous concession that perfect competition, or pure competition (the horizontal demand curve), while perhaps not necessary to the whole economy or even ideal, *was* the ruling case in the economy. This position appeared particularly in Marshall's famous Mathematical Appendix, which was heavily influenced by Cournot.⁸³ Also, Marshall made other concessions about various alleged deviations from the optimum in the free market, due to such things as "external economies" and "external diseconomies."

In 1899, the preeminent American neoclassical economist, John Bates Clark, published his *Distribution of Wealth*. Clark added more restrictions and unrealities to the Edgeworth definition of perfect competition. To the other requirements he added that labor and capital must be *absolutely mobile*; "perfect mobility" of factors had now become another requisite of "perfect competition." The Jevons-Edgeworth tradition of "perfect competition" *as* competition was further developed by the mathematical economist (American) Henry Ludwell Moore, who in a journal article in 1905–06, asserted that the influence of any one producer on price must be negligible, and also declared that no competitor must have to take into account the actions of any other competitor—another condition of perfect competition.

While John Bates Clark added to the development of the model of "perfect competition," he was the reverse of an advocate of using perfect competition as a measure and yardstick for the real economy. For Clark postulated, in the tradition of the classical economists, perfect competition as the *final equilibrium* point of the "static state"; he did not make the mistake of believing that perfect competition is, or should be, ruling in the actual, "dynamic" economic world. In his view of the real world, in fact, Clark was squarely in the classical-neoclassical tradition: he saw monopoly as only a single seller, and

⁸³ Marshall, *ibid.*, pp. 849–50

therefore he saw “competition” as the predominant fact of our economic system. Clark worked out his position on these “dynamic” problems, in his *The Control of Trusts*,⁸⁴ and his *Essentials of Economic Theory*.⁸⁵ Professor Shorey Peterson notes that

Clark wrote prior to that unfortunate usage by which all that is not pure competition is labeled monopoly. By monopoly he meant unified control of a market, and by competition, in this context, “healthful rivalry in serving the public.”⁸⁶

Clark saw the advantages that could come from mergers and large firms:

A vast corporation that is not a true monopoly may be eminently progressive. If it still has to fear rivals, actual or potential, it is under the same kind of pressure that acts upon the independent producer—pressure to economize labor. It may be able to make even greater progress than a smaller corporation could make. . . . Consolidation without monopoly is favorable to progress.⁸⁷

Even if an industry consists of a single company, Clark, while considering the situation dangerous, could also see definite advantages of rule by the market. For here Clark saw the enormous importance of *potential competition*:

The price may conceivably be a normal one. It may stand not much above the cost of production to the monopoly itself. If it does so, it is because a higher price would invite competition. The great company prefers to sell all the goods that are required at a moderate

⁸⁴ New York, Macmillan, 1901

⁸⁵ New York, Macmillan, 1907

⁸⁶ Shorey Peterson, “Antitrust and the Classic Model” (1957), reprinted in *Readings in Industrial Organization and Public Policy* (Homewood Ill.: Irwin (for the American Economic Association, 1958), p. 323.

⁸⁷ Clark, *Essentials*, p. 534

price rather than to invite rivals into its territory. This is monopoly in form but not in fact, for it is shorn of its injurious power; and the thing that holds it firmly in check is *potential competition*. . . . Since the first trusts were formed the efficiency of potential competition has been so constantly displayed that there is no danger that this regulator of prices will ever be disregarded.⁸⁸

We see that Clark, building on the classical-neoclassical traditions, can be considered a founder of the modern doctrine of “workable competition,” brought forth by his son John Maurice Clark in 1940, and highly influential since World War II.

Neither did Clark worry about the so-called problem of “oligopoly.” He believed that “competition usually would, in fact, survive and be extremely effective” among just a few competitors, until or unless they formed a union with each other.⁸⁹

Alfred Marshall, in his almost totally neglected applied economics work, *Industry and Trade* (London, 1919) virtually anticipated all the significant developments since, by (a) first agreeing with the perfect competition people that “competition” can be defined as perfect; but then (b) saying that the real economic world is shot through with “monopoly” elements—but that this is a good thing (thus anticipating the final position of E.H. Chamberlin over thirty years later). This imprecise form of competition Marshall saw as perfectly proper. As for monopolies:

Absolute monopolies are of little importance in modern business as compared with those which are “conditional,” or “provisional” . . . [and the latter keep their position only if] they do not put prices much above the levels necessary to cover their outlays with normal profits.

Marshall also stressed the importance of potential competition, as well as the interindustry competition of substitutes: “a man of

⁸⁸ *Ibid.*, pp. 380–81

⁸⁹ *Ibid.*, pp. 201–02

sound judgment . . . will keep a watchful eye on sources of possible competition, direct and indirect.”⁹⁰

In the meanwhile, while Clark and Marshall were contributing to the classical-neoclassical “workable competition”/“free competition” tradition, as well as giving some concessions to the perfect competition group, the perfect competition doctrine was moving ahead. Alfred Marshall’s most famous pupil, Arthur C. Pigou, insisted on perfect mobility and divisibility as part of the “perfect competition” ideal, and attacked the real world for its immobility and indivisibility.⁹¹ Pigou also elaborated greatly on a few hints of Marshall’s to coin elaborate doctrines of the failures of the free market in meeting “marginal social costs”—but this is a different field of inquiry. However, even Pigou did not believe that perfect—or what he called “simple”—competition, was technically feasible and therefore really ideal.⁹²

We come finally to the culprit who drew all the elements together of what had previously been described as “perfect competition” and welded these elements into a fully analyzed whole. He also extended many of the most important of these elements and set forth a full-fledged theory of competition solely as “perfect competition.” This culprit was Frank H. Knight, in his famous first book, *Risk, Uncertainty, and Profit*.⁹³ The whole of *Risk, Uncertainty, and Profit* is analyzed in terms of perfect competition, and perfect competition most rigorously defined. And, particularly important, whereas J.B. Clark had believed the concept of “perfect competition” applicable only to the static world of equilibrium and did not therefore think it a gauge for the real world, Frank Knight believed that the model *was* applicable as a gauge for the real world—that this was the only sense in which economists could use, analyze, and justify the very concept of “competition.” Knight’s competition involved complete foresight, perfect mobility, costless change, all elements—products and factors—continuously variable,

⁹⁰ Marshall, *Industry and Trade*, pp. 395–98, 405–09

⁹¹ Arthur C. Pigou, *Wealth and Welfare*, 1912

⁹² Also see Pigou, *Economics of Welfare*, 4th ed., 1950. Pigou was virtually the creator of “welfare economics.”

⁹³ Houghton Mifflin, 1921

and infinitely divisible. Demand curves were given and known to all, and exchange instantaneous and costless. Numbers were large, with demand curves to each firm horizontal.

It was this Frank Knight-type of theory—this use of the perfect competition model to describe the real world of the American economy—that Chamberlin reacted against in 1933. Chamberlin said, in effect, Right, “competition” *means* perfect (or rather pure competition—all the above conditions without “perfect knowledge”). But, in that case, Chamberlin declared, it is absurd to keep using this model—as Knight and the others were doing—to describe the real world of business, which emphatically does *not* operate in anything like this way. *Therefore*, we must realize that the economy is *not* competitive, that it is shot through with elements of monopoly. The left-wing Chamberlinians (which partially included Chamberlin himself) used this as a beautiful handle to combine with the Marxists and other critics of business to denounce the whole capitalist system as “monopolistic,” and therefore no longer explainable by economic theory. Henry Simons and the other students of Frank Knight during the 1930s advocated breaking up big business *into* atomized units that would be more nearly “perfect.”

Finally, as I have indicated, the forgotten tradition of the neoclassical, roughly workable, free-entry concept of “competition” was revived by J.M. Clark and others after World War II. The Chicago School, while considerably mellowed since the 1930s, still uses the “perfect competition” model as the ideal and as the explanatory theory, and therefore still hankers, in many of its members, for rigorous trust busting. Chamberlin himself, realizing that perfect or pure competition is the ideal, is fighting his way toward a theory of “workable competition,” but has to do so in the trap of his own terminology. As J.M. Clark once chided Chamberlin, Why *call* this good, workable market economy “monopolistic,” when it should better—and more palatably—be called “competitive”?⁹⁴

⁹⁴ In addition to the references listed above, see George J. Stigler, “Perfect Competition, Historically Contemplated,” *Journal of Political Economy* (Feb. 1957): pp. 1–17.

Notes

Notes

Session 5

Monetary Theory

Murray N. Rothbard, “Fisher’s Equation of Exchange: A Critique,” *Strictly Confidential: The Private Volker Fund Memos of Murray N. Rothbard* (2010), pp. 240–249.

Murray N. Rothbard, “Letter on Henry Hazlitt and Keynes,” *Strictly Confidential: The Private Volker Fund Memos of Murray N. Rothbard* (2010), pp. 277–279.

Murray N. Rothbard, “Review of Lionel Robbins, *The Great Depression*,” *Strictly Confidential: The Private Volker Fund Memos of Murray N. Rothbard* (2010), pp. 289–291.

possible level of taxation. The effect of the New Deal was to drastically increase costs through building up a monopoly union movement, which led directly to increasing wage rates (even when prices were low and falling) and to lowered efficiency via “make-work,” slowdowns, strikes, seniority rules, etc. Security of property was jeopardized by the continual onslaughts of the New Deal government, especially by the confiscatory taxation that dried up the needed flow of savings and left no incentive to invest productively the savings that remained. These savings, instead, found their way into purchasing government bonds to finance all types of boondoggling projects.

Economic well-being, therefore, as well as the basic principles of morality and justice, lead to the same necessary political goal: the reestablishment of the security of private property from all forms of coercion, without which there can be no individual freedom and no lasting economic prosperity and progress.

2. Fisher’s Equation of Exchange: A Critique

October 1952

I
Fisher describes the chief purpose of his work³⁵ as “the causes determining the purchasing power of money.” Money is a generally acceptable medium of exchange, and purchasing power is rightly defined as the “quantity of other goods which a given quantity of goods will buy.” He explains that the lower the prices of goods, the larger will be the quantities that can be bought by a given amount of money, and therefore the larger the purchasing power of money. Vice versa if the prices of goods rise. This is correct; but then comes this flagrant *non sequitur*: “In short, the purchasing power of money

³⁵ Irving Fisher, *The Purchasing Power of Money* (New York: Macmillan, 1913), esp. pp. 13ff.

is the reciprocal of the level of prices; so that the study of the purchasing power of money is identical with the study of price levels.”

From then on, Fisher proceeds to investigate the causes of the “price level.” Thus, by a simple “in short,” Fisher has leaped from the real world of an array of individual prices for an innumerable list of concrete goods, into the misleading fiction of a “price level,” without discussing the grave difficulties that any such concept faces. The fallacy of the “price level” concept will be treated further below.

The “price level” is allegedly caused by three aggregative concepts: the quantity of money in circulation, its velocity of circulation (the average number of times in a period that money is exchanged for goods), and the total volume of goods bought for money. These are related by the famous equation of exchange: $MV = PT$. This equation of exchange is built up by Fisher in the following way: first, suppose an individual exchange transaction. Smith buys 10 pounds of sugar for 7 cents a pound. An exchange has been made, Smith giving up 70 cents to Jones, and Jones transferring 10 pounds of sugar to Smith.

From this fact, Fisher somehow deduces that “10 pounds of sugar have been regarded as *equal* to 70 cents, and this fact may be expressed thus: 70 cents = 10 pounds of sugar multiplied by 7 cents a pound.” This offhand assumption of equality is not self-evident, as Fisher apparently assumes, but a tangle of fallacy and irrelevance. Thus, *who* has regarded the 10 pounds of sugar as *equal* to the 70 cents? Certainly not Smith, the buyer of the sugar. He bought the sugar precisely because he considered the two quantities as *unequal*; to him the value of the sugar was greater than the value of the 70 cents and that is why he made the exchange. On the other hand, Jones, the seller of the sugar, made the exchange precisely because the values of the two goods were *unequal in the opposite direction*, i.e., he valued the cents more than he did the sugar. There is thus never any equality of values in an exchange; on the contrary, there is a reverse double inequality of values on the part of the two participants.

The assumption that an exchange presumes some sort of equality has been the bugaboo of economic theory since Aristotle and it is

surprising that Fisher, an exponent of the subjective theory of value in many respects, falls into the ancient trap. Thus, there is certainly no equality of values between the two goods, or, in this case, between the money and the good. Is there an equality in anything else, and can Fisher be redeemed by finding such an equality? Obviously not; there is no equality in weight, length, or any other magnitude. But to Fisher, the equation represents an equality in value between the “money side” and the “goods side”; thus Fisher states,

The total money paid is equal in value to the total value of the goods bought. The equation thus has a money side and a goods side. The money side is the total money paid. . . . The goods side is made up of the products of the quantities of goods exchanged multiplied by their respective prices.

We have seen, however, that even for the individual exchange, and setting aside the holistic problem of referring to “total exchanges,” there is no such equality that tells us anything about the facts of economic life. There is no “value of money” side equaling a “value of goods” side. The equal sign is an illegitimate one in Fisher’s equation.

How then do we account for the general acceptance of the equal sign and the equation? The answer is that, mathematically, the equation is of course an obvious truism:

$$70 \text{ cents} = 10 \text{ pounds of sugar} \times 7 \text{ cents per pound of sugar}$$

In other words, 70 cents = 70 cents. But this truism conveys to us no knowledge of economic fact whatsoever. Indeed, it is possible to discover an endless number of such equations, on which esoteric articles could be published. Thus:

$$70 \text{ cents} = 100 \text{ grains of sand} \times \frac{\text{number of students in a class}}{100 \text{ grains of sand}} \\ + 70 \text{ cents} - \text{number of students in a class.}$$

Then, we could say that the causal factors determining the quantity or money are: the number of grains of sand, the number of students per grain of sand, and the quantity of money. Thus, what we have in Fisher's equation is two money sides, one identical with the other. To say that such an equation is not very enlightening is self-evident. All that his equation tells us about economic life is that the total money received in a transaction is equal to the total money given up in a transaction—surely an uninteresting truism.

Let us reconsider on the basis of the determinants of price, since that is the center of interest. Fisher's equation of exchange for an individual transaction can be rearranged as follows:

$$\frac{7 \text{ cents}}{1 \text{ pound of sugar}} = \frac{70 \text{ cents}}{10 \text{ pounds of sugar}}$$

Fisher considers that this equation yields the significant information that the price is *determined* by the total money spent divided by the total supply of goods sold. Actually, of course, the equation, as an equation, tells us nothing about the determinants of price; thus, we could set up an equally truistic equation:

$$\frac{7 \text{ cents}}{1 \text{ pound of sugar}} = \frac{70 \text{ cents}}{100 \text{ bushels of wheat}} \times \frac{100 \text{ bushels of wheat}}{10 \text{ pounds of sugar}}$$

This equation is just as mathematically true as the other, and, on Fisher's own mathematical grounds, we could argue cogently that Fisher has "left out the important wheat price in the equation." We could easily add innumerable equations with an infinite number of complex factors to "determine" price.

The only knowledge we have of the determinants of price is the knowledge deduced logically from the axioms of praxeology. This will give us our theory of the determinants of price; *reliance on mathematics can at best only translate our previous knowledge into a relatively unintelligible form*—or, at worst, *it misleads the reader*, as in the present case. The price of the sugar transaction may be made to equal any number of truistic equations; but it is determined by the supply and

demand of the participants, in turn governed by the utility of the two quantities of goods on the value scales of the participants in the exchange. *This* is the fruitful approach in economic theory, not the sterile mathematical one.

If we consider the equation of exchange as revealing the determinants of price, we find that Fisher must be implying that the determinants are the “70 cents” and the “10 pounds of sugar.” It should be clear that, if we are interested in causal determinants, *things* cannot determine prices. *Things*, whether pieces of money or pieces of sugar or pieces of anything else, can never act—they cannot set prices or supply-and-demand schedules. All this can only be done by *human action*—only individual actors can decide whether or not to buy, only their value scales determine prices. It is this profound mistake that is at the root of the fallacies of the Fisherine equation of exchange—that human action is abstracted out of the picture, and things are assumed to be in control of economic life. Thus, either the equation of exchange is a trivial truism—in which case it is no better than a million other such truistic equations and holds no place in science, which rests on simplicity and economy of methods—or else it is supposed to convey some important truths about economics and determination of prices.

In this case, it makes the profound error of substituting for correct logical analysis of causes based on human action misleading assumptions based on an absence of human action and action by things instead. At best, the Fisher equation is superfluous and trivial; at worst, it is wrong and misleading. Fisher himself thought it conveyed important causal truths and proved this by use of the trivial truisms.

II

Thus, Fisher’s equation of exchange is seen to be a pernicious one even for the individual transaction. How much more so when he extends it to the “economy as a whole”? For Fisher, as in the other parts of his theory, this is also a simple step. “The equation of exchange is simply the sum of the equations involved in all individual exchanges” in a

time period. Let us now, for the sake of argument, assume that there is nothing wrong with Fisher's individual equations, and consider his "summing up" to bring about the total equation for the economy as a whole. Let us also abstract from the statistical difficulties in discovering the magnitudes for any given historical situation. Let us look at several individual transactions that Fisher tries to build into a total equation of exchange:

- A. exchanges 70 cents for 10 pounds of sugar.
- B. exchanges 10 dollars for 1 hat.
- C. exchanges 60 cents for 1 pound of butter.
- D. exchanges 500 dollars for 1 television set.

What is the "equation of exchange" for the community of four? Obviously there is no problem in summing up the total amount of money spent: \$511.30. But what about the other side of the equation? Of course, if we wish to be meaninglessly truistic, we could simply write \$511.30 on the other side of the equation, without any laborious building up at all. But if we merely do this, there seems to be no point in the whole procedure. Furthermore, Fisher wants to get at the determination of prices, or "the price level," so that he cannot rest content at this trivial stage. Yet, he continues on the truistic level:

$$\begin{aligned}
 \$511.30 &= \frac{7 \text{ cents}}{1 \text{ pound of sugar}} \times 10 \text{ pounds of sugar} \\
 &+ \frac{10 \text{ dollars}}{1 \text{ hat}} \times 1 \text{ hat} + \frac{60 \text{ cents}}{1 \text{ pound of butter}} \\
 &\times 1 \text{ pound of butter} + \frac{500 \text{ dollars}}{1 \text{ TV set}} \times 1 \text{ TV set}
 \end{aligned}$$

This is what Fisher does, and this is still the same trivial truism that total money spent equals total money spent. This triviality is not redeemed by referring to the quantities in the parentheses as $p \times Q$, $p' \times Q'$, etc., with each p referring to a price and each Q referring to the quantity of a good, so that:

$E = \text{Total money spent} = pQ + p'Q' + p''Q''$, etc. Writing the equation in this symbolic form does not add to its value.

Fisher, attempting to find the causes of the determination of the price level, has to proceed further to try to discover the determinants by means of this equation. We have already seen that, even for the individual transaction, the equation $p = E/Q$ (price equals total money spent divided by quantity of good sold—the price of sugar equation in Fisherine symbolic form) is only a trivial truism and is erroneous when one tries to use it to analyze the *determinants* of price.

How much worse is Fisher's attempt to arrive at such an equation for the whole community and to use this to arrive at the *determinants* of a mythical "price level"? For simplicity's sake, let us take simply the two transactions of *A* and *B*, for the sugar and the hat. Total money spent, E , clearly equals \$10.70, which of course equals total money received, $pQ + p'Q'$. But Fisher is looking for an equation to explain the price level; therefore he uses the concept of an "average price level," P , and a total quantity of goods sold, T , such that E is supposed to equal PT . But the transition from the trivial truism $E = \Sigma pQ + p'Q' \dots$ to the equation $E = PT$ cannot be made as blithely as Fisher believes. Indeed, if we are interested in the explanation of economic life, it cannot be made at all.

For example, for the two transactions (or for the four), what is T ? How can 10 pounds of sugar be added to 1 hat or to 1 pound of butter to arrive at T ? Obviously, no such addition can be performed, and therefore Fisher's holistic T , total physical quantity of goods exchanged, is a meaningless concept and cannot be used in scientific analysis. If T is a meaningless concept, then P must be also, since the two presumably vary inversely if E remains constant. And what, indeed, is P ? Here, we have a whole array of prices, 7 cents a pound, \$10 a hat, etc. What is the price level? Clearly, there is no price level here; there are only individual prices of specific goods.

But, here, error is likely to persist. Cannot prices in some way be "averaged" to give us a working definition of a price level? This is Fisher's solution. Prices of the various goods are in some way

averaged to arrive at P , then $P = E/T$ and all that remains is the difficult “statistical” task of arriving at T . The concept of an average for prices is a common fallacy. It is easy to demonstrate that *prices can never be averaged* for different commodities; we shall use a simple average for our example, but it will be seen that the same conclusion applies to any sort of “weighted average” such as recommended by Fisher or by anyone else.

What is an average? Reflection will show that for several things to be averaged together, they must first be totaled. In order to be thus added together, the things must have some unit in common, and it must be this unit that is being added. Only similar units can be added together. Thus, if one object is 10 yards long, a second is 15 yards long, and a third 20 yards long, we may obtain an average length of 15 yards. Now, money prices are in terms of ratios of units: cents per sugar, cents per hat, cents per butter, etc. Suppose we take the first two prices:

$$\frac{7 \text{ cents}}{1 \text{ pound sugar}} \quad \text{and} \quad \frac{1,000 \text{ cents}}{1 \text{ hat}}$$

Can these two prices be averaged in any way? Can we add 1,000 and 7 together, get 1,007 cents, and divide by something to get a price level? Obviously not. Simple algebra demonstrates that the only way to add the ratios in terms of cents (certainly there is no other unit available) is as follows:

$$\frac{(7 \text{ hats and } 1,000 \text{ pounds of sugar) cents}}{(\text{hats}) (\text{pounds of sugar})}$$

Obviously, neither the numerator nor the denominator makes sense; the units are incommensurable.

Fisher’s more complicated concept of a weighted average, with the prices weighted by the quantities of goods sold, solves the problem of units in the numerator but not in the denominator:

$$P = \frac{pQ + p'Q' + p''Q''}{Q + Q' + Q''}$$

Thus, any form of averaged price-level concept involves the adding or multiplying of the quantities of completely different units of goods, such as butter, hats, sugar, etc., and is therefore meaningless and illegitimate. Even pounds of sugar and pounds of butter cannot be added together, in this equation, because they are two different goods and their valuation is completely different. And if one is tempted to use poundage as the common unit of quantity, what is the weight in pounds of a concert, or a medical or legal service?

It is evident that PT , in the total equation of exchange, is a completely fallacious concept. Whereas the equation $E = pQ$ for an individual transaction is at least a trivial truism, although not very enlightening on causation, the equation $E = PT$ for the whole society is a false one. Neither P nor T can be defined meaningfully, which would be necessary to giving any validity to this equation. We are left only with $E = pQ + p'Q'$, etc., which only gives us the useless truism, $E = E$.

Since the P concept is completely fallacious, it is obvious that Fisher's use of the equation to reveal the determinants of prices is fallacious. He states that if E doubles, and T remains the same, P (the price level) must double. On the holistic level, this is not even a truism; it is false, false because neither P nor T can be meaningfully defined. All we can say is that when E doubles, E doubles. For the individual transaction, the equation is at least meaningful; if a man spends \$1.40 on 10 pounds of sugar, it is obvious that the price has doubled from 7 cents to 14 cents a pound. Still, this is only a mathematical truism, which tells us little of the causal forces at work. But Fisher never attempted to use his equation to explain the determinants of individual prices; he recognized that the logical analysis of supply and demand is far superior here. He used only the holistic equation, which he felt explained the determinants of the price level, and was uniquely adapted to such an explanation.

Yet the holistic equation is false, and the price level remains pure myth, an undefinable concept.³⁶

3. Note on the Infant-Industry Argument

(date unknown)

The “infant industry” argument has been considered as the only justifiable ground for a protective tariff by many “neoclassical” economists. The substance of the argument was clearly stated by one of its most noted exponents, Professor F.W. Taussig:

The argument is that while the price of the protected article is temporarily raised by the duty, eventually it is lowered. Competition sets in . . . and brings a lower price in the end. . . . [T]his reduction in domestic price comes only with the lapse of time. At the outset the domestic producer has difficulties, and cannot meet foreign competition. In the end he learns how to produce to best advantage, and then can bring the article to market as cheaply as the foreigner, even more cheaply.³⁷

³⁶ Editor’s note: The page ends with this (incomplete) paragraph:

We have been charitable in not analyzing in detail Fisher’s money side of the equation $E = MV$, the average quantity of money in circulation in the period times the average velocity of circulation. V is an absurd concept. Even Fisher, in the case of the other magnitudes, recognized the necessity of building up the total from the individual exchanges. He was not successful in building up T out of the individual Q ’s, P out of the individual p ’s, etc., but at least he attempted to do so. In the case of V , *what is the velocity of an individual transaction?* Velocity is not an independently defined variable, as its place in the equation would indicate. Fisher can only derive V as equal to . . .

The rest of this report is missing.

³⁷ F.W. Taussig, *Principles of Economics*, 2nd ed. rev. (New York: Macmillan 1916), p. 527. Taussig went on to assert that “the theoretical validity of this argument has been admitted by almost all economists,” and that the difficulties lay in the *practical application* of the policy.

who reads, let us say, a typical rave review of the Chamberlain book in some right-wing journal, or by some rightist, and then proceeds to read the book and discover its true lack of worth, will, after that, have little respect for either the reviewer or the magazine.

8. Letter on Henry Hazlitt and Keynes

July 18, 1959

Dr. Ivan R. Bierly
William Volker Fund

Dear Ivan:

In a forthcoming review of Henry Hazlitt's *The Failure of the "New Economics"* in *National Review*, I write that this is the best book on economics to be published since Mises's *Human Action*, ten years ago. I do not think this an exaggeration. Exempting reprinted books, such as Mises's *Theory of Money and Credit* or the Böhm-Bawerk volumes, what book can compete with this one? (Mises's *Theory and History* and Hayek's *Counter-Revolution of Science* are more philosophical or epistemological than straight economics.) Abbott's *Quality and Competition*, Bauer's two books on underdeveloped countries (that does *not* include Bauer and Yamey's book) all are impressive, but they cannot come close to Hazlitt for the accolade.

Frankly, I didn't realize that Henry had it in him. I always knew that he was an excellent journalist, and that he faithfully applied Misesian principles to his journalistic work, a difficult task in itself. And I knew that his *Great Idea* [*Time Will Run Back*] was a highly underrated work, and because cast in novel form, didn't get the recognition that its acute discussion of economic principles deserved. Still, I did not realize that Henry would be so fine on the highest scholarly levels, as he has here shown himself to be. This is, in short, an excellent work, at long last providing us with a minute, bit-by-bit,

and yet also overall critique and demolition of the Keynesian heresy. There is no hesitation here, no namby-pamby ritualism about how “Keynes, despite his many errors, really contributed a great deal, etc.” Keynes contributed only mischief, fallacy, and obfuscation, and Hazlitt is courageous enough to call a spade a spade.

This was a grueling but vitally important job, this cleansing of the Augean stables, and Hazlitt deserves the highest commendation for the job he has done. There are few other economists who really could have done it, for to do it requires thorough grounding and thorough knowledge in Misesian principles, and this Hazlitt has and uses. No Chicago economist, for example, could have done this job adequately, sharing, as the Chicagoans do, many of the Keynesian errors and lacking the “Austrian” insights.

I went through this book with great and particular care, with the *General Theory* at my elbow, looking for flaws, but could find none. Oh, there were various places where I would have preferred further elaborations or differences in emphases, but this is true of any reader about any book. Hazlitt differs from the Misesian pure time-preference theory of interest to some extent, although by the end of his discussion he has ingeniously worked around to agreeing pretty much with Mises there, and he tends to dilute Austrianism with Walrasian concepts, but these were so inconsequential in this book that we can definitely say that there are no important errors in the work. In contrast, there are a great many virtues overall, and also minute critiques of the various aspects of the Keynesian system and of its political implications, a dissection of the fallacies of mathematical economics, etc.

Some may say (and I understand that Buchanan said something like this in his review) that an analysis of Keynesianism is not important nowadays. It is true that Keynesianism is not seemingly a hot issue today, although even here Hazlitt shows how Keynesianism is at the root of the current national income and “economics of growth” analyses. But, on the other hand, the real reason why Keynesianism is not a hot issue is because it has been so thoroughly *accepted*, especially by the so-called “conservative” side in the political debate. It is

unquestioned by any prominent conservative or business magazine: let the first sign of depression appear on the horizon, and the sure way to cure it is to have government deficit spending and inflation. Nobody believes in a balanced budget during depressed times anymore. This is the measure of the mass and intellectual acceptance of Keynesianism. And, as a matter of fact, the Chicago economists like Buchanan have the very neo-Keynesian virus in them. So let it never be said that Henry's book is not important or timely. It should be read by every economist or everyone interested in fundamental economic problems. It is worthy of National Book Foundation or any other form of distribution.

I worked 20 hours on this book—a rather long time relative to others, but, as I say, I wanted to exercise particular care with this one.

All the best.

9. Business Advocacy of Government Intervention

November 1959

To: Robbie

From: Murray

The NRA, with its proposal for a virtual national compulsory cartelization of American industry, was perhaps the most ambitious plan in American history—certainly the most ambitious in peacetime—to end the competitive system and to substitute for it a giant system of regulated and enforced monopolies or cartels, somewhat similar to fascism. It had its inception in September of 1931, when Gerard Swope, head of General Electric, unveiled his Swope Plan in a speech before the National Electrical Manufacturers Association. Every industry would be mobilized into trade associations, under federal control, which would regulate and stabilize prices and production, and prescribe codes of trade practices. Overall, these associations and the federal government, aided by a joint administration of management

10. Review of Lionel Robbins, *The Great Depression*

November 14, 1959

Dr. Ivan R. Bierly
William Volker Fund

Dear Ivan:

Lionel Robbins's *The Great Depression* is one of the great economic works of our time.⁶¹ Its greatness lies not so much in originality of economic thought, as in the application of the best economic thought to the explanation of the cataclysmic phenomena of the Great Depression. This is unquestionably the best work published on the Great Depression.

At the time that Robbins wrote this work, he was perhaps the second most eminent follower of Ludwig von Mises (Hayek being the first). To his work, Robbins brought a clarity and polish of style that I believe to be unequalled among any economists, past or present. Robbins is the premier economic stylist.

In this brief, clear, but extremely meaty book, Robbins sets forth first the Misesian theory of business cycles and then applies it to the events of the 1920s and 1930s. We see how bank credit expansion in the United States, Great Britain, and other countries drove the civilized world into a great depression.⁶²

Then Robbins shows how the various nations took measures to counteract and cushion the depression that could only make it worse: propping up unsound, shaky business positions; inflating credit; expanding public works; keeping up wage rates (e.g., Hoover and his

⁶¹ Lionel Robbins, *The Great Depression* (London: Macmillan, 1934).

⁶² In Britain the expansion was generated because of the rigid wage structure caused by unions and the unemployment insurance system, as well as a return to the gold standard at too high a par; and in the United States it was generated by a desire to inflate in order to help Britain, as well as an absurd devotion to the ideal of a stable price level.

White House conferences)—all things that prolonged the necessary depression adjustments and profoundly aggravated the catastrophe. Robbins is particularly bitter about the wave of tariffs, exchange controls, quotas, etc. that prolonged crises, set nation against nation, and fragmented the international division of labor.

And this is not all. Robbins also sets the European scene in the context of the disruptions of the largely free market brought about by World War I; the statization, unionization, and cartelization of the economy that the war brought about; the dislocation of industrial investment and agricultural overproduction brought about by war demand, etc. And above all, the gold standard of pre-World War I, that truly international money, was disrupted and never really brought back again. Robbins shows the tragedy of this, and defends the gold standard vigorously against charges that it “broke down” in 1929. He shows that the U.S. inflation in 1927 and 1928 when it was *losing* gold, and Britain’s cavalierly going off gold when its bank discount rate was as low as 4½ percent, was in flagrant violation of the “rules” of the gold standard (as was Britain’s persistent inflationism in the 1920s).

Robbins also has excellent sections demonstrating the Misesian point that one intervention leads inexorably to another intervention or else repeal of the original policy. He also has a critique of the idea of central planning *and* a fine summation of the Misesian demonstration that socialist economies cannot calculate. Almost every important relevant point is touched upon and handled in unexceptionable fashion. Thus, Robbins, touching on the monopoly question, shows that the only really important monopolies are those created and fostered by governments. He has not the time for a rigorous demonstration of this, but his *aperçus* are important, stimulating, and sound. Robbins sums up his book in this superb passage:

It has been the object . . . to show that if recovery is to be maintained and future progress assured, there must be a more or less complete reversal of contemporary tendencies of governmental regulation of

enterprise. The aim of governmental policy in regard to industry must be to create a field in which the forces of enterprise and the disposal of resources are once more allowed to be governed by the market.

But what is this but the restoration of capitalism? And is not the restoration of capitalism the restoration of the causes of depression?

If the analysis of this essay is correct, the answer is unequivocal. The conditions of recovery which have been stated do indeed involve the restoration of what has been called capitalism. But the slump was not due to these conditions. On the contrary, it was due to their negation. It was due to monetary mismanagement and State intervention operating in a milieu in which the essential strength of capitalism had already been sapped by war and by policy. Ever since the outbreak of war in 1914, the whole tendency of policy has been away from that system, which in spite of the persistence of feudal obstacles and the unprecedented multiplication of the people, produced that enormous increase of wealth per head. . . . Whether that increase will be resumed, or whether, after perhaps some recovery, we shall be plunged anew into depression and the chaos of planning and restrictionism—that is the issue which depends on our willingness to reverse this tendency.

The Great Depression, in short, is a brilliant work that should be read by every economist. It is not at all outdated. It deserves the widest possible distribution, and would be indeed a fitting companion to Hazlitt's *The Fallacies of the New Economics*, that refutation of the other great explanation of the Depression—the Keynesian.

Notes

Notes

Session 7

Comparative Economic Systems

Murray N. Rothbard, "Postscript," *Egalitarianism as a Revolt Against Nature and Other Essays* (1974), pp. 287–303.

producers) than to produce it; and as long as the State makes the seizure of wealth a matter of legalized privilege, so long will the squabble for that privilege go on.⁵²

Helmut Schoeck's *Envy* makes a powerful case for the view that the modern egalitarian drive for socialism and similar doctrines is a pandering to envy of the different and the unequal, but the socialist attempt to eliminate envy through egalitarianism can never hope to succeed. For there will always be personal differences, such as looks, ability, health, and good or bad fortune, which no egalitarian program, however rigorous, can stamp out, and on which envy will be able to fasten its concerns.

POSTSCRIPT

In the two decades since this essay was written (1971), the major social trends I analyzed have accelerated, seemingly at an exponential rate. The flight away from socialism and central planning begun in Yugoslavia has stunningly succeeded over the entire "socialist bloc" of Eastern Europe, and there is now at least rhetorical allegiance to the idea of privatization and a free-market economy. More and more, Marxism has become confined to the academics of the United States and Western Europe, comfortably ensconced as parasites upon their capitalist economies. But even among academics, there is almost nothing left of the triumphalist Marxism of the 1930s and 1940s, with their boasts of the economic efficiency and superiority of socialist central planning. Instead, even the most dedicated Marxists now pay lip-service to the necessity of some sort of "market," however restricted by government.

⁵²Albert Jay Nock, *Memoirs of a Superfluous Man* (New York: Harper, 1943), p. 121.

NEW AREAS OF INEQUALITY AND “OPPRESSION”

But this does not mean that the struggle over egalitarianism is over. Far from it. On the contrary, after the New Left of the late 1960s and early 1970s had been discredited by its bizarre turn to violence, it took the advice of its liberal elders and “joined the system.” New Leftists launched a successful Gramscian “long march through the institutions,” and by becoming lawyers and academics—particularly in the humanities, philosophy, and the “soft” social sciences—they have managed to acquire hegemony over our culture. Seeing themselves defeated and routed on the strictly economic front (in contrast to the Old Left of the 1930s, Marxian economics and the labor theory of value was never the New Left’s strong suit), the Left turned to the allegedly moral high ground of egalitarianism. And, as they did so, they turned increasingly to de-emphasizing old-fashioned economic egalitarianism in favor of stamping out broader aspects of human variety. Older egalitarianism stressed making income or wealth equal; but, as Helmut Schoeck brilliantly realized, the logic of their argument was to stamp out, in the name of “fairness,” all instances of human diversity and therefore implicit or explicit superiority of some persons over others. In short, envy of the superiority of others is to be institutionalized, and all possible sources of such envy eradicated.

In his book on *Envy*, Helmut Schoeck analyzed a chilling dystopian novel by the British writer, L.P. Hartley. In his work, *Facial Justice*, published in 1960, Hartley, extrapolating from the attitudes he saw in British life after World War II, opens by noting that after the Third World War, “Justice had made great strides.” Economic justice, social justice, and other forms of justice had been achieved, but there were still areas of life to conquer. In particular, facial justice had not yet been attained, since pretty girls had an unfair advantage over

ugly ones. Hence, under the direction of the Ministry of Face Equality, all alpha (pretty) girls and all gamma (ugly) girls were forced to undergo operations at the “Equalization (Faces) Centre” so as all to attain beta (pleasantly average) faces.¹

Coincidentally, in 1961, Kurt Vonnegut published a pithy and even more bitterly satirical short story depicting a comprehensively egalitarian society, even more thoroughgoing than Hartley’s. Vonnegut’s “Harrison Bergeron” begins:

The year was 2081, and everybody was finally equal. They weren’t only equal before God and the law. They were equal every which way. Nobody was smarter than anybody else. Nobody was better looking than anybody else. Nobody was stronger or quicker than anybody else. All this equality was due to the 211th, 212th, and 213th Amendments to the Constitution, and to the unceasing vigilance of agents of the United States Handicapper General.

The “handicapping” worked partly as follows.

Hazel had a perfectly average intelligence, which meant she couldn’t think about anything except in short bursts. And George, while his intelligence was way above normal, had a little mental handicap radio in his ear. He was required by law to wear it at all times. It was tuned to a government transmitter. Every twenty minutes or so, the transmitter would send out some sharp noise to keep people like George from taking unfair advantage of their brains.²

This sort of egalitarian emphasis on noneconomic inequalities has proliferated and intensified in the decades

¹See the discussion in Helmut Schoeck, *Envy: A Theory of Social Behavior* (New York: Harcourt, Brace and World, 1970), pp. 149–55. Schoeck’s work was originally published in German in 1966 under the title *Der Neid*, and the English translation was first published in 1969.

²Kurt Vonnegut, Jr., “Harrison Bergeron” (1961), in *Welcome to the Monkey House* (New York: Dell, 1970), p. 7.

since these men penned their seemingly exaggerated Orwellian dystopias. In academic and literary circles “Political Correctness” is now enforced with an increasingly iron hand; and the key to being politically correct is never, ever, in any area, to make judgments of difference or superiority. Thus, we find that a Smith College handout from the Office of Student Affairs lists ten different kinds of “oppression” allegedly inflicted by making judgments about people. They include: “heterosexism,” defined as “oppression” of those with nonheterosexual orientations, which include “not acknowledging their existence”; and “ableism,” defined as oppression of the “differently abled” (known in less enlightened days as “disabled” or “handicapped”), by the “temporarily able.” Particularly relevant to our two dystopian writers is “ageism,” oppression of the young and the old by youngish and middle-aged adults, and “lookism” (or “looksism”), defined as the “construction of a standard of beauty–attractiveness.” “Oppression” is also supposed to consist not only of discriminating in some way against the unattractive, but even in noticing the difference. Perhaps the most chilling recently created category is “logism” or “logo-centric,” the tyranny of the knowledgeable and articulate. A set of “feminist scholarship guidelines” sponsored by the state of New Jersey for its college campuses attacks knowledge and scientific inquiry *per se* as a male “rape of nature.” It charges: “mind was male. Nature was female, and knowledge was created as an act of aggression—a passive nature had to be interrogated, unclothed, penetrated, and compelled by man to reveal her secrets.”³

³John Taylor, “Are You Politically Correct?” *New York* (January 21, 1991): 38. Also see *ibid.*, pp. 32–40; “Taking Offense,” *Newsweek* (December 24, 1990): 48–54.

“Oppression” is of course broadly defined so as to indict the very existence of possible superiority—and therefore an occasion for envy—in any realm. The dominant literary theory of deconstructionism fiercely argues that there can be no standards to judge one literary “text” superior to another. At a recent conference, when one political science professor referred correctly to Czeslaw Milosz’s book *The Captive Mind* as a “classic,” another female professor declared that the very word classic “makes me feel oppressed.”⁴ The clear implication is that any reference to someone else’s superior product may engender resentment and envy in the rank-and-file, and that catering to these “feelings of oppression” must be the central focus of scholarship and criticism.

The whole point of academia and other research institutions has always been an untrammelled search for truth. This ideal has now been challenged and superseded by catering to the “sensitive” feelings of the politically correct. This emphasis on subjective feelings rather than truth is evident in the current furor over the teaching of the distinguished Berkeley anthropologist, Vincent Sarich. Sarich’s examination of genetic influences on racial differences in achievement was denounced by a fellow faculty member as “attempting to destroy the self-esteem of black students in the class.”⁵

GROUP QUOTAS

Indeed, one radical change since the writing of this essay has been the rapid and accelerating transformation of old-fashioned egalitarianism, which wanted to make every individual

⁴*Newsweek* (December 24, 1990): 53.

⁵Paul Selvin, “The Raging Bull of Berkeley,” *Science* 251 (January 25, 1991): 369.

equal, into group-egalitarianism on behalf of groups that are officially designated as “oppressed.” In employment, positions, and status generally, oppressed groups are supposed to be guaranteed their quotal share of the well-paid or prestigious positions. (No one seems to be agitating for quotal representation in the ranks of ditch diggers.) I first noticed this trend in a paper written one year after the present essay at a symposium on *The Nature and Consequences of Egalitarian Ideology*. There I reacted strongly to the quotal representation for designated groups insisted upon by the McGovern movement at the 1972 Democratic Convention. These victorious Democrats insisted that groups such as women, youth, blacks, and Chicanos had fallen below their quotal proportion of the population as elected delegates to previous conventions; this had to be rectified by the Democratic Party overriding the choices of their members and insisting upon due quotal representation of these allegedly oppressed groups. I noted the particular idiocy of the claim that youths aged 18–25 had been grievously “underrepresented” in the past, and indulged in what would now be called a “politically inappropriate” *reductio ad absurdum* by suggesting an immediate correction to the heinous and chronic underrepresentation of five-year-old “men and women.”⁶

And yet, only two years before that convention, another form of quotal appeal had met with proper scorn and ridicule from Left-liberals. When one of President Nixon’s failed Supreme Court nominees was derided as being “mediocre,” Senator Roman Hruska (R., Neb.) wondered why the mediocre folk of America did not deserve “representation”

⁶Murray Rothbard, “Egalitarianism as a Revolt Against Nature,” in *Egalitarianism as a Revolt Against Nature and Other Essays* (chap. 1, present work).

on the highest Court. Liberal critics mockingly charged the senator with engaging in special pleading. The self-same charge, levelled against denouncers of “logism,” would drive such critics from public life. But times, and standards of political correctness, have changed.

It is difficult, indeed, to parody or satirize a movement which seems to be a living self-parody, and which can bring about such deplorable results. Thus, two eminent American historians, Bernard Bailyn and Stephan Thernstrom, were literally forced to abandon their course at Harvard on the history of American race relations, because of absurd charges of “racism” levelled by a few students, charges that were treated with utmost seriousness by everyone concerned. Of particular interest here was the charge against Bailyn’s course on race relations in the colonial era. The student “grievance” against Bailyn is that he had read from the diary of a southern planter without giving “equal time” to the memoirs of a slave. To the complainants, this practice clearly amounted to a “covert defense of slavery.” Bailyn had patiently explained during the offending lecture that no diaries, journals, or letters by slaves in that era had ever been found. But to these students, Bailyn had clearly failed to understand the problem: “Since it was impossible to give equal representation to the slaves, Bailyn ought to have dispensed with the planter’s diary altogether.”⁷

Spokesmen for group quotas on behalf of the “oppressed” (labelled for public relations purposes with the positive-sounding phrase “affirmative action”) generally claim that a quota system is the furthest thing from their minds: that all they want is positive action to increase representation of the

⁷Taylor, “Are You Politically Correct?” p. 33.

avored groups. They are either being flagrantly disingenuous or else fail to understand elementary arithmetic. If Oppressed Group X is to have its “representation” increased from, say, 8 to 20 percent, then *some* group or combination of groups is going to have their total representation reduced by 12 percent. The hidden, or sometimes not so hidden, agenda, of course, is that the quotal declines are supposed to occur in the ranks of designated Oppressor Groups, who presumably deserve their fate.

WHO ARE THE “OPPRESSED”?

In this regime of group egalitarianism, it becomes particularly important to take one’s place in the ranks of the oppressed rather than the oppressors. Who, then, are the oppressed? It is difficult to determine, since new groups of oppressed are being discovered all the time. One almost longs for the good old days of classic Marxism, when there was only one “oppressed class”—the proletariat—and one or at most a very few classes of oppressors: the capitalists or bourgeois, plus sometimes the “feudal landlords” or perhaps the *petit bourgeoisie*. But now, as the ranks of the oppressed and therefore the groups specially privileged by society and the State keep multiplying, and the ranks of the oppressors keep dwindling, the problem of income and wealth egalitarianism reappears and is redoubled. For more and greater varieties of groups are continually being added to the parasitic burden weighing upon an ever-dwindling supply of oppressors. And since it is obviously worth everyone’s while to leave the ranks of the oppressors and move over to the oppressed, pressure groups will increasingly succeed in doing so—so long as this dysfunctional ideology continues to flourish.

Specifically, achieving the label of Officially Oppressed entitles one to share in an endless flow of benefits—in money, status, and prestige—from the hapless oppressors,

who are made to feel guilty forevermore, even as they are forced to sustain and expand the endless flow. It is not surprising that attaining oppressed status takes a great deal of pressure and organization. As Joseph Sobran wittily puts it: “it takes a lot of clout to be a victim.” Eventually, if trends continue the result must be the twin death of parasite and host alike, and an end to any flourishing economy or civilization.

There are virtually an infinite number of groups or “classes” in society: the class of people named Smith, the class of men over six feet tall, the class of bald people, and so on. Which of these groups may find themselves among the “oppressed”? Who knows? It is easy to invent a new oppressed group. I might come up with a study, for example, demonstrating that the class of people named “Doe” have an average income, wealth, or status lower than that of other names. I could then coin a hypothesis that people named Doe have been discriminated against because their names “John Doe” and “Jane Doe” have been “stereotyped” as associated with faceless anonymity, and presto, we have one more group who is able to leave the burdened ranks of the oppressors and join the happy ranks of the oppressed.

A political theorist friend of mine thought he could coin a satiric Oppressed Group: Short People, Who Suffer From Heightism. I informed him that he was seriously anticipated two decades ago, again demonstrating the impossibility of parodying the current ideology. I noted in an article almost twenty years ago, written shortly after this essay, that Professor Saul D. Feldman, a sociologist at Case-Western Reserve, and himself a distinguished short, had at last brought science to bear on the age-old oppression of the shorts by the tall. Feldman reported that out of recent University of Pittsburgh graduating seniors, those 6 feet 2 inches and taller received

an average starting salary 12.4 percent higher than graduates under 6 feet, and that a marketing professor at Eastern Michigan University had quizzed 140 business recruiters about their preferences between two hypothetical, equally qualified applicants for the job of salesman. One of the hypothetical salesmen was to be 6 feet 1 inch, the other 5 feet 5 inches. The recruiters answered as follows: 27 percent expressed the politically correct no preference; 1 percent would hire the short man; and no less than 72 percent would hire the tallie.

In addition to this clear-cut oppression of talls over shorts, Feldman pointed out that women notoriously prefer tall over short men. He might have pointed out, too, that Alan Ladd could only play the romantic lead in movies produced by bigoted Hollywood moguls by standing on a hidden box, and that even the great character actor Sydney Greenstreet was invariably shot upward from a low-placed camera to make him appear much taller than he was. (The Hollywood studio heads were generally short themselves, but were betraying their short comrades by pandering to the pro-tall culture.) Feldman also perceptively pointed to the antishort prejudice that pervades our language: in such phrases as people being “short-sighted, shortchanged, short-circuited, and short in cash.” He added that among the two major party candidates for president, the taller is almost invariably elected.⁸

⁸Feldman’s case would have been strengthened had he written after the 1988 campaign; not only did Bush tower over Dukakis, but Representative Charles Wilson (D., Texas) was able to express the tallist bigotry of his region: “No Greek dwarf can carry East Texas,” without calling forth protests and marches by organized short-dom. On the Feldman study, see Arthur J. Snider, “Society Favors Tall Men: Proof,”

I went on in my article to call for a short liberation movement to end short oppression, and asked: where are the short corporation leaders, the short bankers, the short senators and presidents?^{9,10} I asked for short pride, short institutes, short history courses, short quotas everywhere, and for shorts to stop internalizing the age-old propaganda of our tall culture that shorts are genetically or culturally inferior. (Look at Napoleon!) Short people, arise! You have nothing to lose but your elevator shoes. I ended by assuring the tallies that we were *not* antitall, and that we welcome progressive, guilt-ridden tallies as pro-short sympathizers and auxiliaries in our movement. If my own consciousness had been sufficiently raised at the time, I would have, of course, added a demand that the tallies compensate the shorts for umpteen thousand years of tall tyranny.

THE ROMANTICS AND PRIMITIVISM

Turning from the topic of the oppressed, my own view of the Romantics, certainly jaundiced twenty years ago, is far more hostile today. For I have learned, from such sources as Leszek Kolakowski and particularly the great literary critic M.H. Abrams, of the devotion of the Romantics, Hegelians, and of Marxism to what might be called “reabsorption theology.”

New York *Post* (February 19, 1972). On all of this, see Murray N. Rothbard, “Short People, Arise!” *The Libertarian Forum* 4 (April, 1972): 8.

⁹It might be instructive to study whether the savage treatment accorded to Senator John Tower in his confirmation hearings for Secretary of Defense was due to discrimination against his short size.

¹⁰A possible project for American historians: most of the big business tycoons of the late-nineteenth century (for example, Jay Gould and John D. Rockefeller, Sr.) were very short. By what process did the tallies quietly seize power in the corporate world?

This view stemmed from the third-century Egyptian Platonist, Plotinus, seeping into Christian Platonism, and from then on constituting a heretical and mystical underground in Western thought. Briefly, these thinkers saw Creation not as a wonderfully benevolent overflow of God's goodness, but as an essentially evil act that sundered the blessed pre-creation unity of the collective entities God, Man, and Nature, bringing about tragic and inevitable "alienation" in Man. However, creation, the outgrowth of God's deficiencies, is redeemable in one sense: history is an inevitable "dialectical" process by which pre-creation gives rise to its opposite, the current world. But eventually history is destined to end in a mighty "reabsorption" of these three collective entities, though at a much higher level of development for both God and man. In addition to other problems with this view, the contrast with orthodox Christianity should be clear. Whereas in Christianity, the individual person is made in God's image and the salvation of each individual is of supreme importance, the allegedly benevolent reabsorptionist escape from metaphysical alienation occurs only at the end of history and only for the collective species man, each individual disappearing into the species-organism.¹¹

¹¹See Leszek Kolakowski, *Main Currents of Marxism*, vol. 1, *The Founders* (Oxford: Oxford University Press, 1981), pp. 9–39; idem, *Natural Supernaturalism: Tradition and Revolution in Romantic Literature* (New York: Norton, 1971); M.H. Abrams, "Apocalypse: Theme and Variations" in C.A. Patrides and Joseph Wittreich, eds., *The Apocalypse in English Renaissance Thought and Literature* (Ithaca, N.Y.: Cornell University Press, 1984), pp. 342–68; Ernest L. Tuveson, "The Millenarian Structure of *The Communist Manifesto*," in *ibid.*, pp. 323–41; and Murray N. Rothbard, "Karl Marx: Communist as Religious Eschatologist," *The Review of Austrian Economics* 4 (1990): 123–79.

As for primitivism, later anthropological research has strengthened the view of this essay that primitive tribes, and premodern cultures generally, were marked, not by communism *à la* Engels and Polanyi, but by private property rights, markets, and monetary exchange. The work of the economist Bruce Benson has particularly highlighted this point.¹²

THE DIVISION OF LABOR

I have come to realize, since writing this essay, that I overweighted the contributions and importance of Adam Smith on the division of labor. And to my surprise, I did not sufficiently appreciate the contributions of Ludwig von Mises.

Despite the enormous emphasis on specialization and the division of labor in the *Wealth of Nations*, much of Smith's discussion was misplaced and misleading. In the first place, he placed undue importance on the division of labor *within* a factory (the famous pin-factory example), and scarcely considered the far more important division of labor among various industries and occupations. Second, there is the mischievous contradiction between the discussions in Book 1 and Book 5 in the *Wealth of Nations*. In Book 1, the division of labor is hailed as responsible for civilization as well as economic growth, and is also praised as expanding the alertness and intelligence of the population. But in Book 5 the division

¹²Bruce L. Benson, "Enforcement of Private Property Rights in Primitive Societies: Law Without Government," *Journal of Libertarian Studies* 9 (Winter, 1989): 1–26; and *The Enterprise of Law: Justice Without the State* (San Francisco: Pacific Research Institute for Public Policy, 1990), pp. 11–41. Also see Joseph R. Peden, "Property Rights in Celtic Irish Law," *Journal of Libertarian Studies* 1 (1977): 81–95; and David Friedman, "Private Creation and Enforcement of Law: A Historical Case," *Journal of Legal Studies* 8 (March, 1979): 399–415.

of labor is condemned as leading to the intellectual and moral degeneration of the same population, and to the loss of their “intellectual, social, and martial virtues.” These complaints about the division of labor as well as similar themes in Smith’s close friend Adam Ferguson, strongly influenced the griping about “alienation” in Marx and later socialist writers.¹³

But of greater fundamental importance was Smith’s abandonment of the tradition, since Jean Buridan and the Scholastics, that emphasized that two parties always undertook an exchange because each expected to gain from the transaction. In contrast to this emphasis on specialization and exchange as a result of conscious human decision, Smith shifted the focus from mutual benefit to an alleged irrational and innate “propensity to truck, barter, and exchange,” as if human beings were lemmings determined by forces external to their own chosen purposes. As Edwin Cannan pointed out long ago, Smith took this tack because he rejected the idea of innate differences in human talents and abilities, differences which would naturally lead people to seek out different specialized occupations.¹⁴ Smith instead took an egalitarian–environmentalist position, still dominant today in neo-classical economics, holding that all men are uniform and equal, and therefore that differences in labor or occupations can only be the *result* rather than a cause of the system of division of labor. Moreover, Smith inaugurated the corollary tradition

¹³On Ferguson’s influence, see Abrams, *Natural Supernaturalism*, pp. 220–21, 508.

¹⁴Edwin Cannan, *A History of the Theories of Production and Distribution in English Political Economy from 1776 to 1848* (3rd ed., London: Staples Press, 1917), p. 35.

that differences in wage rates among this uniform population can only reflect differences in the cost of training.^{15,16}

In contrast, the recent work of Professor Joseph Salerno has illuminated the profound contributions of Ludwig von Mises's emphasis on the division of labor as the "essence of society" and the "fundamental social phenomenon." For Mises, as I wrote in the essay, the division of labor stems from the diversity and inequality of human beings and of nature. Salerno, in addition, brings out with unparalleled clarity that for Mises the division of labor is a conscious choice of mutual gain and economic development. The process of social evolution therefore becomes "the development of the division of labor," and this allows Mises to refer to the worldwide division of labor as a vital "social organism" or "*oecumene*." Mises also points out that division of labor is at the heart of biological organisms, and "the fundamental principle of all forms of life." The difference of the "social organism" is that, in contrast to biological organisms, "reason and will are the originating and sustaining form of the organic coalescence."

¹⁵Contrast Smith's egalitarianism with the great early-fifteenth-century Italian Scholastic, San Bernardino of Siena (1380–1444). In his *On Contracts and Usury*, written in 1431–33, Bernardino pointed out that wage inequality on the market is a function of differences of ability and skill as well as training. An architect is paid more than a ditch digger, Bernardino explained, because the former's job requires more intelligence and ability as well as training, so that fewer men will qualify for the task. See Raymond de Roover, *San Bernardino of Siena and Sant' Antonio of Florence, The Two Great Thinkers of the Middle Ages* (Boston: Baker Library, 1967), and Alejandro Chafuen, *Christians for Freedom: Late Scholastic Economics* (San Francisco: Ignatius Press, 1986), pp. 123–31.

¹⁶Modern neoclassical labor economics fits in this tradition by defining "discrimination" as any wage inequalities greater than differences in the cost of training. Thus, see the standard work by Gary Becker, *The Economics of Discrimination* (Chicago: University of Chicago Press, 1957).

Therefore, for Mises “human society is thus spiritual and teleological,” the “product of thought and will.” It therefore becomes of the utmost importance for people to understand the significance of maintaining and expanding the *oecumene* that consists of the free market and voluntary human exchanges, and to realize that breaching and crippling that market and *oecumene* can only have disastrous consequences for the human race.¹⁷

In the standard account, writers and social theorists are supposed to mellow and moderate their views as they get older. (Two glorious exceptions to this rule are such very different libertarian figures as Lysander Spooner and Lord Acton.) Looking back over the two decades since writing this essay, it is clear that my views, on the contrary, have radicalized and polarized even further. As unlikely as it would have seemed twenty years ago, I am even more hostile to socialism, egalitarianism, and Romanticism, far more critical of the British classical and modern neoclassical tradition, and even more appreciative of Mises’s great insights than ever before. Indeed, for someone who thought that he had absorbed all of Mises’s work many years ago, it is a constant source of surprise how rereading Mises continues to provide a source of fresh insights and of new ways of looking at seemingly trite situations. This phenomenon, in

¹⁷Joseph T. Salerno, “Ludwig von Mises as Social Rationalist,” *The Review of Austrian Economics* 4 (1990): 26–54. See also Salerno’s critique of Eamonn Butler’s uncomprehending reaction to Mises’s insights, charging Mises with the “organic fallacy,” and “difficulty with English.” *Ibid.*, p. 29n. The implicit contrast of Mises’s view with Hayek’s emphasis on unconscious action and blind adherence to traditional rules is made explicit by Salerno in the latter part of this article dealing with the socialist calculation debate, and in Salerno, “Postscript,” in Ludwig von Mises, *Economic Calculation in the Socialist Commonwealth* (Auburn, Ala.: Ludwig von Mises Institute, 1990), pp. 51–71.

which many of us have experience, bears testimony to the remarkable quality and richness of Mises's thought. Although he died almost two decades ago, Ludwig von Mises remains more truly alive than most of our conventionally wise contemporaries.

Notes

Session 9

The Nature of the State

Murray N. Rothbard, “Part III: The State Verses Liberty”
and “Part IV: Modern Alternative Theories of Liberty,” *The
Ethics of Liberty* (1998), pp. 161–253.

22. The Nature of the State

So far in this book, we have developed a theory of liberty and property rights, and have outlined the legal code that would be necessary to defend those rights. What of government, the State? What is its proper role, if any? Most people, including most political theorists, believe that once one concedes the importance, or even the vital necessity, of *some particular* activity of the State—such as the provision of a legal code—that one has *ipso facto* conceded the necessity of the State itself. The State indeed performs many important and necessary functions: from provision of law to the supply of police and fire fighters, to building and maintaining the streets, to delivery of the mail. But this in no way demonstrates that *only* the State can perform such functions, or, indeed, that it performs them even passably well.

Suppose, for example, that there are many competing cantaloupe stores in a particular neighborhood. One of the cantaloupe dealers, Smith, then uses violence to drive all of his competitors out of the neighborhood; he has thereby employed violence to establish a coerced monopoly over the sale of cantaloupes in a given territorial area. Does that mean that Smith's use of violence to establish and maintain his monopoly was *essential* to the provision of cantaloupes in the neighborhood? Certainly not, for there were existing competitors as well as potential rivals should Smith ever relax his use and threat of violence; moreover, economics demonstrates that Smith, as a coercive monopolist will tend to perform his service badly and inefficiently. Protected from competition by the use of force, Smith can afford to provide his service in a costly and inefficient manner, since the consumers are deprived of any possible range of alternative choice.¹ Furthermore, should a group arise to call for the abolition of Smith's coercive monopoly, there would be very few protesters with the temerity to accuse these "abolitionists" of wishing to deprive the consumers of their much desired cantaloupes.

And yet, the State is only our hypothetical Smith on a gigantic and all-encompassing scale. Throughout history, groups of men calling themselves "the government" or "the State" have attempted—usually successfully—to gain a compulsory monopoly of the commanding heights of

1. See Murray N. Rothbard, *Power and Market*, 2nd ed. (Kansas City: Sheed Andrews and McMeel, 1977), pp. 172–81; Murray N. Rothbard, *For a New Liberty*, rev. ed. (New York: Macmillan, 1978), pp. 194–201.

the economy and the society. In particular, the State has arrogated to itself a compulsory monopoly over police and military services, the provision of law, judicial decision-making, the mint and the power to create money, unused land ("the public domain"), streets and highways, rivers and coastal waters, and the means of delivering mail. Control of land and transportation has long been an excellent method of assuring overall control of a society; in many countries, highways began as a means of allowing the government to move its troops conveniently throughout its subject country. Control of the money supply is a way to assure the State an easy and rapid revenue, and the State makes sure that no private competitors are allowed to invade its self-arrogated monopoly of the power to counterfeit (i.e. create) new money. Monopoly of the postal service has long been a convenient method for the State to keep an eye on possibly unruly and subversive opposition to its rule. In most historical epochs, the State has also kept a tight control over religion, usually cementing a comfortable, mutually-supportive alliance with an Established Church: with the State granting the priests power and wealth, and the Church in turn teaching the subject population their divinely proclaimed duty to obey Caesar. But now that religion has lost much of its persuasive power in society, the State is often willing to let religion alone, and to concentrate on similar if looser alliances with more secular intellectuals. In either case, the State relies on control of the levers of propaganda to persuade its subjects to obey or even exalt their rulers.

But, above all, the crucial monopoly is the State's control of the use of violence: of the police and armed services, and of the courts—the locus of ultimate decision-making power in disputes over crimes and contracts. Control of the police and the army is particularly important in enforcing and assuring all of the State's other powers, including the all-important power to extract its revenue by coercion.

For there is one crucially important power inherent in the nature of the State apparatus. *All other* persons and groups in society (except for acknowledged and sporadic criminals such as thieves and bank robbers) obtain their income voluntarily: *either* by selling goods and services to the consuming public, *or* by voluntary gift (e.g., membership in a club or association, bequest, or inheritance). *Only* the State obtains its revenue by coercion, by threatening dire penalties should the income not be forthcoming. That coercion is known as "taxation," although in less regularized epochs it was often known as "tribute." Taxation is theft, purely and simply, even though it is theft on a grand and colossal scale which no acknowledged criminals could hope to match. It is a compulsory seizure of the property of the State's inhabitants, or subjects.

It would be an instructive exercise for the skeptical reader to try to frame a definition of taxation which does not *also* include theft. Like the robber, the State demands money at the equivalent of gunpoint; if the taxpayer refuses to pay, his assets are seized by force, and if he should resist such depredation, he will be arrested or shot if he should continue to resist. It is true that State apologists maintain that taxation is “really” voluntary; one simple but instructive refutation of this claim is to ponder what would happen if the government were to abolish taxation, and to confine itself to simple requests for voluntary contributions. Does anyone *really* believe that anything comparable to the current vast revenues of the State would continue to pour into its coffers? It is likely that even those theorists who claim that punishment never deters action would balk at such a claim. The great economist Joseph Schumpeter was correct when he acidly wrote that “the theory which construes taxes on the analogy of club dues or of the purchase of the services of, say, a doctor only proves how far removed this part of the social sciences is from scientific habits of mind.”²

It has been recently maintained by economists that taxation is “really” voluntary because it is a method for everyone to make sure that everyone else pays for a unanimously desired project. Everyone in an area, for example, is assumed to desire the government to build a dam; but if A and B contribute voluntarily to the project, they cannot be sure that C and D will not “shirk” their similar responsibilities. Therefore, all of the individuals, A, B, C, D, etc., each of whom wish to contribute to building the dam, *agree* to coerce each other through taxation. Hence, the tax is not *really* coercion. There are, however, a great many flaws in this doctrine.

First is the inner contradiction between voluntarism and coercion; a coercion of all-against-all does not make any of this coercion “voluntary.” Secondly, even if we assume for the moment that each individual would like to contribute to the dam, there is no way of assuring that the tax levied on each person is no more than he would be willing to pay voluntarily even if everyone else contributed. The government may levy \$1000 on Jones even though he might have been willing to pay no more than \$500. The point is that *precisely because* taxation is compulsory, there is no way to assure (as is done automatically on the free market) that the amount any person contributes is what he would “really” be willing to pay. In the free society, a consumer who voluntarily buys a TV set for \$200

2. Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York: Harper and Brothers, 1942), p. 198.

demonstrates by his freely chosen action that the TV set is worth more to him than the \$200 he surrenders; in short, he demonstrates that the \$200 is a voluntary payment. Or, a club member in the free society, by paying annual dues of \$200, demonstrates that he considers the benefits of club membership worth at least \$200. But, in the case of taxation, a man's surrender to the threat of coercion demonstrates no voluntary preference whatsoever for any alleged benefits he receives.

Thirdly, the argument proves far too much. For the supply of *any* service, not only dams, can be expanded by the use of the tax-financing arm. Suppose, for example, that the Catholic Church were established in a country through taxation; the Catholic Church would undoubtedly be larger than if it relied on voluntary contributions; but can it therefore be argued that such Establishment is "really" voluntary because everyone wants to coerce everyone else into paying into the Church, in order to make sure that no one shirks this "duty"?

And fourthly, the argument is simply a mystical one. How can anyone *know* that everyone is "really" paying his taxes voluntarily on the strength of this sophistical argument? What of those people—environmentalists, say—who are opposed to dams *per se*? Is their payment "really" voluntary? Would the coerced payment of taxes to a Catholic Church by Protestants or atheists *also* be "voluntary"? And what of the growing body of libertarians in our society, who oppose all action by the government on principle? In what way can this argument hold that *their* tax payments are "really voluntary"? In fact, the existence of at least *one* libertarian or anarchist in a country is enough *by itself* to demolish the "really voluntary" argument for taxation.

It is also contended that, in democratic governments, the act of *voting* makes the government and all its works and powers truly "voluntary." Again, there are many fallacies with this popular argument. In the first place, even if the majority of the public specifically endorsed each and every particular act of the government, this would simply be majority tyranny rather than a voluntary act undergone by every person in the country. Murder is murder, theft is theft, whether undertaken by one man against another, or by a group, or even by the majority of people within a given territorial area. The fact that a majority might support or condone an act of theft does not diminish the criminal essence of the act or its grave injustice. Otherwise, we would have to say, for example, that any Jews murdered by the democratically elected Nazi government were *not* murdered, but only "voluntarily committed suicide"—surely, the grotesque but logical implication of the "democracy as voluntary" doctrine. Secondly, in a republic as contrasted to a direct democracy, people vote not for specific

measures but for “representatives” in a package deal; the representatives then wreak their will for a fixed length of time. In no legal sense, of course, are they truly “representatives” since, in a free society, the principal hires his agent or representative individually and can fire him at will. As the great anarchist political theorist and constitutional lawyer, Lysander Spooner, wrote:

they [the elected government officials] are neither our servants, agents, attorneys, nor representatives . . . [for] we do not make ourselves responsible for their acts. If a man is my servant, agent, or attorney, I necessarily make myself responsible for all his acts done within the limits of the power I have intrusted to him. If I have intrusted him, as my agent, with either absolute power, or any power at all, over the persons or properties of other men than myself, I thereby necessarily make myself responsible to those other persons for any injuries he may do them, so long as he acts within the limits of the power I have granted him. But no individual who may be injured in his person or property, by acts of Congress, can come to the individual electors, and hold them responsible for these acts of their so-called agents or representatives. This fact proves that these pretended agents of the people, of everybody, are really the agents of nobody.³

Furthermore, even on its own terms, voting can hardly establish “majority” rule, much less of voluntary endorsement of government. In the United States, for example, less than 40 percent of eligible voters bother to vote at all; of these, 21 percent may vote for one candidate and 19 percent for another. 21 percent scarcely establishes even majority rule, much less the voluntary consent of all. (In *one* sense, and quite apart from democracy or voting, the “majority” always supports any existing government; this will be treated below.) And finally, how is it that taxes are levied on one and all, regardless of whether they voted or not, or, more particularly, whether they voted for the winning candidate? How can either nonvoting or voting for the loser indicate any sort of endorsement of the actions of the elected government?

Neither does voting establish any sort of voluntary consent even by the voters themselves to the government. As Spooner trenchantly pointed out:

In truth, in the case of individuals their actual voting is not to be taken as proof of consent. . . . On the contrary, it is to be considered that, without his consent having even been asked

3. Lysander Spooner, *No Treason: The Constitution of No Authority*, James J. Martin ed., (Colorado Springs, Colo.: Ralph Myles, 1973), p. 29.

a man finds himself environed by a government that he cannot resist; a government that forces him to pay money, render service, and forego the exercise of many of his natural rights, under peril of weighty punishments. He sees, too, that other men practice this tyranny over him by the use of the ballot. He sees further, that, if he will but use the ballot himself, he has some chance of relieving himself from this tyranny of others, by subjecting them to his own. In short, he finds himself, without his consent, so situated that, if he uses the ballot, he may become a master, if he does not use it, he must become a slave. And he has no other alternative than these two. In self-defense, he attempts the former. His case is analogous to that of a man who has been forced into battle, where he must either kill others, or be killed himself. Because, to save his own life in battle, a man attempts to take the lives of his opponents, it is not to be inferred that the battle is one of his own choosing. Neither in contests with the ballot—which is a mere substitute for a bullet—because, as his only chance of self-preservation, a man uses a ballot, is it to be inferred that the contest is one into which he voluntarily entered; that he voluntarily set up all his own natural rights, as a stake against those of others, to be lost or won by the mere power of numbers. . . .

Doubtless the most miserable of men, under the most oppressive government in the world, if allowed the ballot would use it, if they could see any chance of meliorating their condition. But it would not, therefore, be a legitimate inference that the government itself, that crushes them, was one which they had voluntarily set up, or even consented to.⁴

If, then, taxation is compulsory, and is therefore indistinguishable from theft, it follows that the State, which subsists on taxation, is a vast criminal organization far more formidable and successful than any “private” Mafia in history. Furthermore, it should be considered criminal not only according to the theory of crime and property rights as set forth in this book, but *even* according to the common apprehension of mankind, which always considers theft to be a crime. As we have seen above, the nineteenth-century German sociologist Franz Oppenheimer put the matter succinctly when he pointed out that there are two and only two ways of attaining wealth in society: (a) by production and voluntary exchange with others—the method of the free market; and (b) by violent expropriation of the wealth produced by others. The latter is the method

4. *Ibid.*, p. 15.

of violence and theft. The former benefits all parties involved; the latter parasitically benefits the looting group or class at the expense of the looted. Oppenheimer trenchantly termed the former method of obtaining wealth, "the economic means," and the latter "the political means." Oppenheimer then went on brilliantly to define the State as "the organization of the political means."⁵

Nowhere has the essence of the State as a criminal organization been put as forcefully or as brilliantly as in this passage from Lysander Spooner:

It is true that the theory of our Constitution is, that all taxes are paid voluntarily; that our government is a mutual insurance company, voluntarily entered into by the people with each other. . . .

But this theory of our government is wholly different from the practical fact. The fact is that the government, like a highwayman, says to a man: "Your money, or your life." And many, if not most, taxes are paid under the compulsion of that threat.

The government does not, indeed, waylay a man in a lonely place, spring upon him from the roadside, and, holding a pistol to his head, proceed to rifle his pockets. But the robbery is none the less a robbery on that account; and it is far more dastardly and shameful.

The highwayman takes solely upon himself the responsibility, danger, and crime of his own act. He does not pretend that he has any rightful claim to your money, or that he intends to use it for your own benefit. He does not pretend to be anything but a robber. He has not acquired impudence enough to profess to be merely a "protector," and that he takes men's money against their will, merely to enable him to "protect" those infatuated travellers, who feel perfectly able to protect themselves, or do not appreciate his peculiar system of protection. He is too sensible a man to make such professions as these. Furthermore, having taken your money, he leaves you, as you wish him to do. He does not persist in following you on the road, against your will; assuming to be your rightful "sovereign," on account of the "protection" he affords you. He does not keep "protecting" you, by commanding you to bow down and serve him; by requiring you to do this, and forbidding you to do that; by robbing you of more money as often as he finds it for his interest or pleasure to do so; and by branding you as a rebel, a traitor, and an enemy to your country, and shooting you down without

5. Franz Oppenheimer, *The State* (New York: Free Life Editions, 1975), p. 12.

mercy, if you dispute his authority, or resist his demands. He is too much of a gentleman to be guilty of such impostures, and insults, and villainies as these. In short, he does not, in addition to robbing you, attempt to make you either his dupe or his slave.⁶

It is instructive to inquire why it is that the State, in contrast to the highwayman, invariably surrounds itself with an ideology of legitimacy, why it must indulge in all the hypocrisies that Spooner outlines. The reason is that the highwayman is not a visible, permanent, legal, or legitimate member of society, let alone a member with exalted status. He is always on the run from his victims or from the State itself. But the State, in contrast to a band of highwaymen, is not considered a criminal organization; on the contrary, its minions have generally held the positions of highest status in society. It is a status that allows the State to feed off its victims while making at least most of them support, or at least be resigned to, this exploitative process. In fact, it is precisely the function of the State's ideological minions and allies to explain to the public that the Emperor does indeed have a fine set of clothes. In brief, the ideologists must explain that, while theft by one or more persons or groups is bad and criminal, that when the *State* engages in such acts, it is *not* theft but the legitimate and even sanctified act called "taxation." The ideologists must explain that murder by one or more persons or groups is bad and must be punished, but that when the *State* kills it is not murder but an exalted act known as "war" or "repression of internal subversion." They must explain that while kidnapping or slavery is bad and must be outlawed when done by private individuals or groups, that when the State commits such acts it is not kidnapping or slavery but "conscription"—an act necessary to the public weal and even to the requirements of morality itself. The function of the statist ideologists is to weave the false set of Emperor's clothes, to convince the public of a massive double standard: that when the State commits the gravest of high crimes it is really *not* doing so, but doing something else that is necessary, proper, vital, and even—in former ages—by divine command. The age-old success of the ideologists of the State is perhaps the most gigantic hoax in the history of mankind.

Ideology has always been vital to the continued existence of the State, as attested by the systematic use of ideology since the ancient Oriental empires. The specific *content* of the ideology has, of course, changed over time, in accordance with changing conditions and cultures. In the Oriental despotisms, the Emperor was often held by the Church to be himself divine; in our more secular age, the argument runs more to

6. Spooner, *No Treason*, p. 19.

“the public good” and the “general welfare.” But the *purpose* is always the same: to convince the public that what the State does is not, as one might think, crime on a gigantic scale, but something necessary and vital that must be supported and obeyed. The reason that ideology is so vital to the State is that it always rests, in essence, on the support of the majority of the public. This support obtains whether the State is a “democracy,” a dictatorship, or an absolute monarchy. For the support rests in the willingness of the majority (*not*, to repeat, of *every* individual) to go along with the system: to pay the taxes, to go without much complaint to fight the State’s wars, to obey the State’s rules and decrees. This support need not be active enthusiasm to be effective; it can just as well be passive resignation. But support there must be. For if the bulk of the public were *really* convinced of the illegitimacy of the State, if it were convinced that the State is nothing more nor less than a bandit gang writ large, then the State would soon collapse to take on no more status or breadth of existence than another Mafia gang. Hence the necessity of the State’s employment of ideologists; and hence the necessity of the State’s age-old alliance with the Court Intellectuals who weave the apologia for State rule.

The first modern political theorist who saw that all States rest on majority opinion was the sixteenth-century libertarian French writer, Etienne de la Boetie. In his *Discourse on Voluntary Servitude*, de la Boetie saw that the tyrannical State is always a minority of the population, and that therefore its continued despotic rule must rest on its legitimacy in the eyes of the exploited majority, on what would later come to be called “the engineering of consent.” Two hundred years later, David Hume—though scarcely a libertarian—set forth a similar analysis.⁷ The counter-argument that, with modern weapons, a minority force can permanently cow a hostile majority, ignores the fact that these weapons can be held by the majority, and that the armed force of the minority can mutiny or defect to the side of the populace. Hence, the permanent need for per-

7. Thus, as Hume stated:

Nothing appears more surprising . . . than the easiness with which the many are governed by the few and the implicit submission with which men resign their own sentiments and passions to those of their rulers. When we inquire by what means this wonder is effected, we shall find, that, as Force is always on the side of the governed, the governors have nothing to support them but opinion. It is, therefore, on opinion that government is founded; and this maxim extends to the most despotic and most military governments.

David Hume, *Essays: Literary, Moral and Political* (London: Ward, Locke, and Taylor, n.d.), p. 23; also see, Etienne de la Boetie, *The Politics of Obedience: The Discourse of Voluntary Servitude* (New York: Free Life Editions, 1975); and Ludwig von Mises, *Human Action* (New Haven, Conn.: Yale University Press, 1949), pp. 188ff.

suasive ideology has always led the State to bring into its rubric the nation's opinion-moulding intellectuals. In former days, the intellectuals were invariably the priests, and hence, as we have pointed out, the age-old alliance between Church-and-State, Throne-and-Altar. Nowadays, "scientific" and "value-free" economists and "national security managers," among others, perform a similar ideological function in behalf of State power.

Particularly important in the modern world—now that an Established Church is often no longer feasible—is for the State to assume control over education, and thereby to mould the minds of its subjects. In addition to influencing the universities through all manner of financial subventions, and through state-owned universities directly, the State controls education on the lower levels through the universal institutions of the public school, through certification requirements for private schools, and through compulsory attendance laws. Add to this a virtually total control over radio and television—either through outright State ownership, as in most countries—or, as in the United States, by the nationalization of the airwaves, and by the power of a federal commission to license the right of stations to use those frequencies and channels.⁸

Thus, the State, by its very nature, *must* violate the generally accepted moral laws to which most people adhere. Most people are agreed on the injustice and criminality of murder and theft. The customs, rules, and laws of all societies condemn these actions. The State, then, is always in a vulnerable position, despite its seeming age-old might. What particularly needs to be done is to enlighten the public on the State's true nature, so that they can see that the State habitually violates the generally accepted injunctions against robbery and murder, that the State is the necessary violator of the commonly accepted moral and criminal law.

We have seen clearly why the State needs the intellectuals; but why do the intellectuals need the State? Put simply, it is because intellectuals, whose services are often not very intensively desired by the mass of consumers, can find a more secure "market" for their abilities in the arms of the State. The State can provide them with a power, status, and wealth which they often cannot obtain in voluntary exchange. For centuries, many (though, of course, not all) intellectuals have sought the goal of Power, the realization of the Platonic ideal of the "philosopher-king." Consider, for example, the cry from the heart by the distinguished Marxist scholar, Professor Needham, in protest against the acidulous critique by Karl Wittfogel of the alliance of State-and-intellectuals in Oriental despotisms:

8. See Rothbard, *For a New Liberty*, pp. 109–16.

"The civilization which Professor Wittfogel is so bitterly attacking was one which could make poets and scholars into officials." Needham adds that "the successive [Chinese] emperors were served in all ages by a great company of profoundly humane and disinterested scholars."⁹ Presumably, for Professor Needham, this is enough to justify the grinding despotisms of the ancient Orient.

But we need not go back as far as the ancient Orient or even as far as the proclaimed goal of the professors at the University of Berlin, in the nineteenth century, to form themselves into "the intellectual body-guard of the House of Hohenzollern." In contemporary America, we have the eminent political scientist, Professor Richard Neustadt, hailing the President as the "sole crownlike symbol of the Union." We have national security manager Townsend Hoopes writing that "under our system the people can look only to the President to define the nature of our foreign policy problem and the national programs and sacrifices required to meet it with effectiveness." And, in response, we have Richard Nixon, on the eve of his election as President, defining his role as follows: "He [the President] must articulate the nation's values, define its goals and marshal its will." Nixon's conception of his role is hauntingly similar to the scholar Ernst Huber's articulation, in the Germany of the 1930s, of the *Constitutional Law of the Greater German Reich*. Huber wrote that the head of State "sets up the great ends which are to be attained and draws up the plans for the utilization of all national powers in the achievement of the common goals . . . he gives the national life its true purpose and value."¹⁰

9. Joseph Needham, "Review of Karl A. Wittfogel, *Oriental Despotism*," *Science and Society* (1958): 61, 65. On the explicit search for power on the part of the "collectivist" intellectuals during the Progressive period of the twentieth century, see James Gilbert, *Designing the Industrial State* (Chicago: Quadrangle Books, 1972). For more on the alliance between intellectuals and the state, see Bertrand de Jouvenel, "The Treatment of Capitalism by Continental Intellectuals," and John Lukacs, "Intellectual Class or Intellectual Profession?" in George B. deHuszar, ed., *The Intellectuals* (Glencoe, Ill.: Free Press, 1960), pp. 385-99, and 521-22; Bertrand de Jouvenel, *On Power* (New York: Viking Press, 1949); Murray N. Rothbard, "The Anatomy of the State," in *Egalitarianism as a Revolt Against Nature and Other Essays* (Washington, D.C.: Libertarian Review Press, 1974), pp. 37-42; and Rothbard, *For a New Liberty*, pp. 59-70.

10. Richard Neustadt, "Presidency at Mid-Century," *Law and Contemporary Problems* (Autumn 1956): 609-45; Townsend Hoopes, "The Persistence of Illusion: The Soviet Economic Drive and American National Interest," *Yale Review* (March 1960): 336, cited in Robert J. Bresler, *The Ideology of the Executive State: Legacy of Liberal Internationalism* (Menlo Park, Calif.: Institute for Humane Studies, n.d.), pp. 4-5. Nixon and Huber cited in *ibid.*, pp. 5, 16-17; and in Thomas Reeves and Karl Hess, *The End of the Draft* (New York: Vintage Books, 1970), pp. 64-65. On the national security managers, also see Marcus Raskin, "The Megadeath Intellectuals," *New York Review of Books* (14 November 1963): 6-7.

Thus, the State is a coercive criminal organization that subsists by a regularized large-scale system of taxation-theft, and which gets away with it by engineering the support of the majority (*not*, again, of everyone) through securing an alliance with a group of opinion-moulding intellectuals whom it rewards with a share in its power and pelf. But there is another vital aspect of the State that needs to be considered. There is one critical argument for the State that now comes into view: namely, the implicit argument that the State apparatus really and properly *owns* the territorial area over which it claims jurisdiction. The State, in short, arrogates to itself a monopoly of force, of ultimate decision-making power, over a given territorial area—larger or smaller depending on historical conditions, and on how much it has been able to wrest from other States. *If* the State may be said to properly *own* its territory, then it is proper for it to make rules for anyone who presumes to live in that area. It can legitimately seize or control private property because there is no private property in its area, because it really owns the entire land surface. *So long* as the State permits its subjects to leave its territory, then, it can be said to act as does any other owner who sets down rules for people living on his property. (This seems to be the only justification for the crude slogan, “America, love it or leave it!,” as well as the enormous emphasis generally placed on an individual’s right to emigrate from a country.) In short, this theory makes the State, as well as the King in the Middle Ages, a feudal overlord, who at least theoretically *owned* all the land in his domain. The fact that new and unowned resources—whether virgin land or lakes—are invariably claimed as owned by the State (its “public domain”) is an expression of this implicit theory.

But our homesteading theory, outlined above, suffices to demolish any such pretensions by the State apparatus. For by what earthly right do the criminals of the State lay claim to the ownership of its land area? It is bad enough that they have seized control of ultimate decision-making for that area; what criterion can possibly give them the rightful ownership of the entire territory?

The State may therefore be defined as that organization which possesses either or both (in actual fact, almost always both) of the following characteristics: (a) it acquires its revenue by physical coercion (taxation); and (b) it achieves a compulsory monopoly of force and of ultimate decision-making power over a given territorial area. Both of these essential activities of the State necessarily constitute criminal aggression and depredation of the just rights of private property of its subjects (including self-ownership). For the first constitutes and establishes theft on a grand scale; while the second prohibits the free competition

of defense and decision-making agencies within a given territorial area—prohibiting the voluntary purchase and sale of defense and judicial services.¹¹ Hence the justice of the vivid critique of the State by the libertarian theorist Albert Jay Nock: “The State claims and exercises the monopoly of crime” in a given territorial area. “It forbids private murder, but itself organizes murder on a colossal scale. It punishes private theft, but itself lays unscrupulous hands on anything it wants, whether the property of citizen or alien.”¹²

It must be emphasized that the State does not merely use coercion to acquire its own revenue, to hire propagandists to advance its power, and to arrogate to itself and to enforce a compulsory monopoly of such vital services as police protection, firefighting, transportation, and postal service. For the State does many other things as well, none of which can in any sense be said to serve the consuming public. It uses its monopoly of force to achieve, as Nock puts it, a “monopoly of crime”—to control, regulate, and coerce its hapless subjects. Often it pushes its way into controlling the morality and the very daily lives of its subjects. The state uses its coerced revenue, not merely to monopolize and provide genuine services inefficiently to the public, but also to build up its own power at the expense of its exploited and harassed subjects: to redistribute income and wealth from the public to itself and to its allies, and to control, command, and coerce the inhabitants of its territory. In a truly free society, a society where individual rights of person and property are maintained, the State, then, would necessarily cease to exist. Its myriad of invasive and aggressive activities, its vast depredations on the rights of person and property, would then disappear. At the same time, those genuine services which it does manage badly to perform would be thrown open to free competition, and to voluntarily chosen payments by individual consumers.

The *grotesquerie* of the typical conservative call for the government to enforce conservative definitions of “morality” (e.g. by outlawing the alleged immorality of pornography) is therefore starkly revealed. Aside

11. “Given territorial area” in this context of course implicitly means “beyond the area of each property owner’s just property.” Obviously, in a free society, Smith has the ultimate decision-making power over his own just property, Jones over his, etc. The State, or government, claims and exercises a compulsory monopoly of defense and ultimate decision-making over an area larger than an individual’s justly-acquired property. Smith, Jones, etc. are thereby prohibited by “the government” from having nothing to do with that “government” and from making their own defense contracts with a competing agency. I am indebted to Professor Sidney Morgenbesser for raising this point.

12. Albert Jay Nock, *On Doing the Right Thing, and Other Essays* (New York: Harper and Brothers, 1928), p. 143.

from other sound arguments against enforced morality (e.g., that no action not freely chosen can be considered “moral”), it is surely grotesque to entrust the function of guardian of the public morality to the most extensive criminal (and hence the most immoral) group in society—the State.

23. The Inner Contradictions of the State

A major problem with discussions of the necessity of government is the fact that all such discussions necessarily take place within a context of centuries of State existence and State rule—rule to which the public has become habituated. The wry coupling of the twin certainties in the popular motto “death and taxes” demonstrates that the public has resigned itself to the existence of the State as an evil but inescapable force of nature to which there is no alternative. The force of habit as the cement of State rule was seen as early as the sixteenth-century writings of de la Boetie. But, logically, and to cast off the scales of habit, we must not merely compare an existing State with an unknown quantity, but begin at the social zero point, in the logical fiction of the “state of nature,” and compare the relative arguments for the establishment of the State with those on behalf of a free society.

Let us assume, for example, that a sizeable number of people suddenly arrive on Earth, and that they must now consider what sort of social arrangements to live under. One person or group of persons argues as follows (i.e., the typical argument for the State): “If each of us is allowed to remain free in all aspects, and particularly if each of us is allowed to retain weapons and the right of self-defense, then we will all war against each other, and society will be wrecked. Therefore, let us turn over all of our guns and all of our ultimate decision-making power and power to define and enforce our rights to the Jones family over there. The Jones family will guard us from our predatory instincts, keep social peace, and enforce justice.” Is it conceivable that any one (except perhaps the Jones family itself) would spend one moment considering this clearly absurd scheme? The cry of “who would guard us from the Jones family, especially when we are deprived of our weapons?” would suffice to shout down such a scheme. And yet, given the acquisition of legitimacy from the fact of longevity, given the longtime rule of the “Jones family,” this is precisely the type of argument to which we now blindly adhere. Employing the logical model of the state of nature aids us in casting off the fetters of habit to see the State plain—and to see that the Emperor, indeed, wears no clothes.

If, in fact, we cast a cold and logical eye on the theory of “limited government,” we can see it for the chimera that it really is, for the unrealistic and inconsistent “Utopia” that it holds forth. In the first place, there is no reason to assume that a compulsory monopoly of violence,

once acquired by the "Jones family" or by any State rulers, will remain "limited" to protection of person and property. Certainly, historically, no government has long remained "limited" in this way. And there are excellent reasons to suppose that it never will. First, once the cancerous principle of coercion— of coerced revenue and compulsory monopoly of violence—is established and legitimated at the very heart of society, there is every reason to suppose that this precedent will be expanded and embellished. In particular, it is in the economic *interest* of the State rulers to work actively for such expansion. The more the coercive powers of the State are expanded beyond the cherished limits of the laissez-faire theorists, the greater the power and pelf accruing to the ruling caste operating the State apparatus. Hence, the ruling caste, eager to maximize its power and wealth, will stretch State power—and will encounter only feeble opposition, given the legitimacy it and its allied intellectuals are gaining, and given the lack of any institutional free-market channels of resistance to the government's monopoly of coercion and the power of ultimate decision-making. On the free market, it is a happy fact that the maximization of the wealth of one person or group redounds to the benefit of all; but in the political realm, the realm of the State, a maximization of income and wealth can only accrue parasitically to the State and its rulers *at the expense of* the rest of society.

Advocates of a limited government often hold up the ideal of a government above the fray, refraining from taking sides or throwing its weight around, an "umpire" arbitrating impartially between contending factions in society. Yet, why *should* the government do so? Given the unchecked power of the State, the State and its rulers will act to maximize their power and wealth, and hence inexorably expand beyond the supposed "limits." The crucial point is that in the Utopia of limited government and laissez faire, there are no institutional mechanisms to *keep* the State limited. Surely the bloody record of States throughout history should have demonstrated that *any* power, once granted or acquired, *will* be used and therefore abused. Power corrupts, as the libertarian Lord Acton so wisely noted.

Furthermore, apart from the absence of institutional mechanisms to keep the ultimate decision-maker and force-wielder "limited" to protection of rights, there is a grave inner contradiction inherent in the very ideal of a neutral or impartial State. For there can be no such thing as a "neutral" tax, a taxing system that will be neutral to the market as it would have been without taxation. As John C. Calhoun trenchantly pointed out in the early nineteenth century, the very *existence* of taxation negates any possibility of such neutrality. For, given any level of taxation,

the least that will happen will be the creation of two antagonistic social classes: the “ruling” classes who gain by and live off taxation, and the “ruled” classes who pay the taxes. In short, conflicting classes of net tax-payers and net tax-consumers. At the very least, the government bureaucrats will necessarily be net tax-consumers; others such will be those persons and groups subsidized by the inevitable expenditures of government. As Calhoun put it:

[T]he agents and employees of the government constitute that portion of the community who are the exclusive recipients of the proceeds of the taxes. Whatever amount is taken from the community in the form of taxes, if not lost, goes to them in the shape of expenditures and disbursements. The two—disbursement and taxation—constitute the fiscal action of the government. They are correlatives. What the one takes from the community under the name of taxes is transferred to the portion of the community who are the recipients under that of disbursements. But as the recipients constitute only a portion of the community, it follows, taking the two parts of the fiscal process together, that its actions must be unequal between the payers of the taxes and the recipients of their proceeds. Nor can it be otherwise; unless what is collected from each individual in the shape of taxes shall be returned to him in that of disbursements, which would make the process nugatory and absurd. . . .

The necessary result, then, of the unequal fiscal action of the government is to divide the community into two great classes: one consisting of those who, in reality, pay the taxes, and, of course, bear exclusively the burden of supporting the government; and the other, of those who are the recipients of their proceeds through disbursements, and who are, in fact, supported by the government; or, in fewer words, to divide it into tax-payers and tax-consumers.

But the effect of this is to place them in antagonistic relations in reference to the fiscal action of the government—and the entire course of policy therewith connected. For the greater the taxes and disbursements, the greater the gain of the one and the loss of the other, and vice versa. . . . The effect, then, of every increase is to enrich and strengthen the one, and impoverish and weaken the other.¹

Calhoun goes on to point out that a Constitution will not be able to keep the government limited; for given a monopoly Supreme Court

1. John C. Calhoun, *A Disquisition on Government* (New York: Liberal Arts Press, 1953), pp. 16–18.

selected by the self-same government and granted the power of ultimate decision-making, the political “ins” will always favor a “broad” or loose interpretation of the wording of the Constitution serving to expand the powers of government over the citizenry; and, over time, the “ins” will inexorably tend to win out over the minority of “outs” who will argue vainly for a “strict” interpretation limiting State power.²

But there are other fatal flaws and inconsistencies in the concept of limited, laissez-faire government. In the first place, it is generally accepted, by limited-government and by other political philosophers, that the State is necessary for the creation and development of *law*. But this is historically incorrect. For most law, but especially the most libertarian parts of the law, emerged not from the State, but out of non-State institutions: tribal custom, common-law judges and courts, the law merchant in mercantile courts, or admiralty law in tribunals set up by shippers themselves. In the case of competing common-law judges as well as elders of tribes, the judges were not engaged in making law, but in finding the law in existing and generally accepted principles, and then applying that law to specific cases or to new technological or institutional conditions.³ The same was true in private Roman law. Moreover, in ancient Ireland, a society existing for a thousand years until the conquest by Cromwell, “there was no trace of State-administered justice”; competing schools of professional jurists interpreted and applied the common body of customary law, with enforcement undertaken by competing and voluntarily supported *tuatha*, or insurance agencies. Furthermore, these customary rules were not haphazard or arbitrary, but consciously rooted in *natural law*, discoverable by man’s reason.⁴

But, in addition to the historical inaccuracy of the view that the State is needed for the development of law, Randy Barnett has brilliantly

2. *Ibid.*, pp. 25–27.

3. See Bruno Leoni, *Freedom and the Law* (Los Angeles: Nash Publishing, 1972); F.A. Hayek, *Law, Legislation, and Liberty*, vol. 1, *Rules and Order* (Chicago: University of Chicago Press, 1973), pp. 72–93, and Murray N. Rothbard, *For A New Liberty*, rev. ed. (New York: Macmillan, 1978), pp. 234–43.

4. On ancient Ireland, see Joseph R. Peden, “Stateless Societies: Ancient Ireland,” *The Libertarian Forum* (April 1971): 3. Cf., and more extensively, Peden, “Property Rights in Celtic Irish Law,” *Journal of Libertarian Studies* 1 (Spring 1977): 81–95. Also see Daniel A. Binchy, *Anglo-Saxon and Irish Kingship* (London: Oxford University Press, 1970); Myles Dillon, *The Celtic Realms* (London: George Weidenfeld and Nicholson, 1967), and *idem*, *Early Irish Society* (Dublin, 1954). Irish law as based on natural law is discussed in Charles Donahue, “Early Celtic Laws” (unpublished paper, delivered at the Columbia University Seminar on the History of Legal and Political Thought, Autumn, 1964), pp. 13ff. Also see Rothbard, *For A New Liberty*, pp. 239–43.

pointed out that the State by its very nature *cannot* obey its own legal rules. But if the State cannot obey its own legal rules, then it is necessarily deficient and self-contradictory as a maker of law. In an exegesis and critique of Lon L. Fuller's seminal work *The Morality of Law*, Barnett notes that Professor Fuller sees in the current thinking of legal positivism a persistent error: "the assumption that law should be viewed as a . . . one-way projection of authority, originating with government and imposing itself upon the citizen."⁵ Fuller points out that law is not simply "vertical"—a command from above from the State to its citizens, but also "horizontal," arising from among the people themselves and applied to each other. Fuller points to international law, tribal law, private rules, etc. as pervasive examples of such "reciprocal" and non-State law. Fuller sees the positivist error as stemming from failure to recognize a crucial principle of proper law, namely that the lawmaker should itself obey its own rules that it lays down for its citizens, or, in Fuller's words, "that enacted law itself presupposes a commitment by the government authority to abide by its own rules in dealing with its subjects."⁶

But Barnett correctly points out that Fuller errs significantly in failing to apply his own principle far enough: in limiting the principle to the procedural "rules by which laws are passed" rather than applying it to the *substance* of the laws themselves. Because of this failure to carry his principle to its logical conclusion, Fuller fails to see the inherent inner contradiction of the State as maker of law. As Barnett puts it,

Fuller fails in his attempt because he has not followed his own principle far enough. If he did, he would see that the state legal system does not conform to the principle of official congruence with its own rules. It is because the positivists see that the State inherently violates its own rules that they conclude, in a sense correctly, that State-made law is *sui generis*.⁷

However, Barnett adds, if Fuller's principle were carried forward to assert that the "lawmaker must obey the *substance* of his own laws," then Fuller would see "that the State by its nature *must* violate this commitment."

For Barnett correctly points out that the two unique and essential features of the State are its power to tax—to acquire its revenue by

5. Lon L. Fuller, *The Morality of Law* (New Haven, Conn.: Yale University Press), p. 204; quoted in Randy E. Barnett, "Fuller, Law, and Anarchism," *The Libertarian Forum* (February 1976): 6.

6. Fuller, *Morality of Law*, p. 32.

7. Barnett, "Fuller, Law, and Anarchism," p. 66.

coercion and hence robbery—and to prevent its subjects from hiring any other defense agency (compulsory monopoly of defense).⁸ But in doing so, the State violates its own laws that it sets down for its subjects. As Barnett explains,

For example, the State says that citizens may not take from another by force and against his will that which belongs to another. And yet the State through its power to tax “legitimately” does just that. . . . More essentially, the State says that a person may use force upon another only in self-defense, i.e. only as a defense against another who initiated the use of force. To go beyond one’s right of self-defense would be to aggress on the rights of others, a violation of one’s legal duty. And yet the State by its claimed monopoly forcibly imposes its jurisdiction on persons who may have done nothing wrong. By doing so it aggresses against the rights of its citizens, something which its rules say citizens may not do.

The State, in short, may steal where its subjects may not and it may aggress (initiate the use of force) against its subjects while prohibiting them from exercising the same right. It is to this that the positivists look when they say that the law (meaning State-made law) is a one-way, vertical process. It is this that belies any claim of true reciprocity.⁹

Barnett concludes that, interpreted consistently, Fuller’s principle means that in a true and proper legal system, the lawmaker must “follow all of its rules, procedural and substantive alike.” Therefore, “to the degree that it does not and cannot do this it is not and cannot be a legal system and its acts are outside the law. The State *qua* state, therefore, is an illegal system.”¹⁰

Another inner contradiction of the theory of laissez-faire government deals again with taxation. For if government is to be limited to “protection” of person and property, and taxation is to be “limited” to providing that service only, then *how* is the government to decide *how much* protection to provide and how much taxes to levy? For, contrary to the limited government theory, “protection” is no more a collective, one-lump “thing” than any other good or service in society. Suppose, for example, that we might

8. Both features are essential to the historical category of the State; various Utopian schemes to dispense with the first trait and keep the second would still come under the present strictures as applied to the second trait.

9. Barnett, “Fuller, Law, and Anarchism,” p. 7.

10. *Ibid.*

offer a competing theory, that government should be “limited” to supplying clothing free to all of its citizens. But this would scarcely be any sort of viable limit, apart from other flaws in the theory. For how *much* clothing, and at what cost? Must everyone be supplied with Balenciaga originals, for example? And *who* is to decide how much and what quality of clothing each person is to receive? Indeed, “protection” could conceivably imply anything from one policeman for an entire country, to supplying an armed bodyguard and a tank for every citizen—a proposition which would bankrupt the society posthaste. But who is to decide on how much protection, since it is undeniable that every person would be *better* protected from theft and assault if provided with an armed bodyguard than if he is not? On the free market, decisions on how much and what quality of any good or service should be supplied to each person are made by means of voluntary purchases by each individual; but what criterion can be applied when the decision is made *by government*? The answer is none at all, and such governmental decisions can only be purely arbitrary.

Secondly, one searches in vain in the writings of laissez-faire theorists for a cogent theory of taxation: not only how much taxation is to be levied, but also *who* is to be forced to pay. The commonly adopted “ability to pay” theory, for example, is, as the libertarian Frank Chodorov pointed out, the philosophy of the highway robber to extract as much loot from the victim as the robber can get away with—scarcely a cogent social philosophy, and at total variance, of course, from the system of payment on the free market. For if everyone were forced to pay for every good and service in proportion to his income, then there would be no pricing system at all, and no market system could work. (David Rockefeller, for example, might be forced to pay \$1 million for a loaf of bread.)¹¹

Next, no laissez-faire writer has ever provided a theory of the size of the State: if the State is to have a compulsory monopoly of force in a given territorial area, *how large* is that area to be? These theorists have not given full attention to the fact that the world has always lived in an “international anarchy,” with no one government, or compulsory monopoly of decision-making, *between* various countries. And yet, international relations between *private citizens* of different countries have generally functioned quite smoothly, despite the lack of a single government over them. Thus, a contractual or a tort dispute between a citizen of North Dakota and

11. See Frank Chodorov, *Out of Step* (New York: Devin-Adair, 1962), p. 237. For a critique of the ability to pay and other attempts to provide canons of “justice” for taxation, see Murray N. Rothbard, *Power and Market*, 2nd ed. (Kansas City: Sheed Andrews and McMeel, 1977), pp. 135–67.

of Manitoba is usually handled quite smoothly, typically with the plaintiff suing or placing charges in his court, and the court of the other country recognizing the result. Wars and conflicts usually take place between the *governments*, rather than the private citizens, of the various countries.

But more profoundly, would a laissez-fairist recognize the right of a region of a country to *secede* from that country? Is it legitimate for West Ruritania to secede from Ruritania? If not, why not? And if so, then how can there be a logical stopping-point to the secession? May not a small district secede, and then a city, and then a borough of that city, and then a block, and then finally a particular individual?¹² Once admit *any* right of secession whatever, and there is no logical stopping-point short of the right of *individual* secession, which logically entails anarchism, since then individuals may secede and patronize their own defense agencies, and the State has crumbled.

Finally, there is a crucial inconsistency in the proffered criterion of laissez-faire itself: limiting the government to protection of person and property. For, if it is legitimate for a government to tax, why not tax its subjects to provide other goods and services that may be useful to consumers: why shouldn't the government, for example, build steel plants, provide shoes, dams, postal service, etc.? For each of these goods and services is useful to consumers. If the laissez-fairists object that the government should not build steel plants or shoe factories and provide them to consumers (either free or for sale) because tax-coercion had been employed in constructing these plants, well then the same objection can of course be made to governmental police or judicial service. The government should be acting no more immorally, from the laissez-faire point of view, when providing housing or steel than when providing police protection. Government limited to protection, then, cannot be sustained *even within* the laissez-faire ideal itself, much less from any other consideration. It is true that the laissez-faire ideal could still be employed to prevent such "second-degree" coercive activities of government (i.e., coercion *beyond* the initial coercion of taxation) as price control or outlawry of pornography; but the "limits" have now become flimsy indeed, and may be stretched to virtually complete collectivism, in which the government only supplies goods and services, yet supplies *all* of them.

12. Mises recognized this point, and supported the right of each individual to secede in theory, stopping short of the individual for merely "technical considerations." Ludwig von Mises, *Liberalism*, 2nd ed. (Kansas City: Sheed Andrews and McMeel, 1978), pp. 109–10.

24. The Moral Status of Relations to the State

If the State, then, is a vast engine of institutionalized crime and aggression, the “organization of the political means” to wealth, then this means that the State is a criminal organization, and that therefore its moral status is radically different from any of the just property-owners that we have been discussing in this volume. And this means that the moral status of contracts with the State, promises to it and by it, differs radically as well. It means, for example, that no one is morally required to obey the State (except insofar as the State simply affirms the right of just private property against aggression). For, as a criminal organization with all of its income and assets derived from the crime of taxation, *the State cannot possess any just property*. This means that it cannot be unjust or immoral to fail to pay taxes to the State, to appropriate the property of the State (which is in the hands of aggressors), to refuse to obey State orders, or to break contracts with the State (since it cannot be unjust to break contracts with criminals). Morally, from the point of view of proper political philosophy, “stealing” from the State, for example, is removing property from criminal hands, is, in a sense, “homesteading” property, except that instead of homesteading unused land, the person is removing property from the criminal sector of society—a positive good.

Here a partial exception can be made where the State has clearly stolen the property of a specific person. Suppose, for example, that the State confiscates jewels belonging to Brown. If Green then steals the jewels from the State, he is not committing a criminal offense from the point of view of libertarian theory. However, the jewels are still not his, and Brown would be justified in using force to repossess the jewels from Green. In most cases, of course, the State’s confiscations, taking place in the form of taxation, are mixed into a common pot, and it is impossible to point to specific owners of its specific property. *Who*, for example, properly owns a TVA dam or a post-office building? In these majority cases, then, Green’s theft or “homesteading” from the State would be legitimate as well as noncriminal, and would confer a just homesteading property title upon Green.

Lying to the State, then, also becomes *a fortiori* morally legitimate. Just as no one is morally required to answer a robber truthfully when he asks if there are any valuables in one’s house, so no one can be morally required to answer truthfully similar questions asked by the State, e.g., when filling out income tax returns.

All this does not mean, of course, that we must counsel or require civil disobedience, nonpayment of taxes, or lying to or theft from the State, for these may well be prudentially unwise, considering the *force majeure* possessed by the State apparatus. But what we are saying is that these actions are just and morally licit. Relations with the State, then, become purely prudential and pragmatic considerations for the particular individuals involved, who must treat the State as an enemy with currently prevailing power.

Many libertarians fall into confusion on specific relations with the State, even when they concede the general immorality or criminality of State actions or interventions. Thus, there is the question of default, or more widely, repudiation of government debt. Many libertarians assert that the government is morally bound to pay its debts, and that therefore default or repudiation must be avoided. The problem here is that these libertarians are analogizing from the perfectly proper thesis that *private* persons or institutions should keep their contracts and pay their debts. But government has no money of its own, and payment of its debt means that the taxpayers are further coerced into paying bondholders. Such coercion can never be licit from the libertarian point of view. For not only does increased taxation mean increased coercion and aggression against private property, but the seemingly innocent bondholder appears in a very different light when we consider that the purchase of a government bond is simply making an investment in the future loot from the robbery of taxation. As an eager investor in future robbery, then, the bondholder appears in a very different moral light from what is usually assumed.¹

Another question to be placed in a new light is the problem of breaking contracts with the State. We have explained above our contention that since enforceable contracts are properly title-transfers and not promises, that therefore it would be legitimate in the free society to resign from an army, despite the signing of a voluntary contract for a longer term of enlistment. But regardless of which theory of contract we adopt, such considerations apply only to *private* armies in the free market. Since State armies are criminal aggressors—both in their actions as well as their means of revenue—it would be morally licit to leave the State’s army at any time, regardless of the terms of enlistment. It is morally the individual’s

1. On repudiation of government debt, see Frank Chodorov, “Don’t Buy Government Bonds,” in *Out of Step* (New York: Devin-Adair, 1962), pp. 170-77; and Murray N. Rothbard, *Man, Economy, and State* (Princeton, N.J.: D. Van Nostrand, 1962), vol. 2, pp. 881-83.

right to do so, although again whether such an action is prudential or not is another matter entirely.

Let us consider in this light the question of bribery of government officials. We saw above, that, in a free society or free market, the *briber* is acting legitimately, whereas it is the *bribee* who is defrauding someone (e.g. an employer) and therefore deserves prosecution. What of bribery of government officials? Here a distinction must be made between "aggressive" and "defensive" bribery; the first should be considered improper and aggressive, whereas the latter should be considered proper and legitimate. Consider a typical "aggressive bribe": a Mafia leader bribes police officials to exclude other, competing operators of gambling casinos from a certain territorial area. Here, the Mafioso acts in collaboration with the government to coerce competing gambling proprietors. The Mafioso is, in this case, an initiator, and accessory, to governmental aggression against his competitors. On the other hand, a "defensive bribe" has a radically different moral status. In such a case, for example, Robinson, seeing that gambling casinos are outlawed in a certain area, bribes policemen to allow his casino to operate—a perfectly legitimate response to an unfortunate situation.

Defensive bribery, in fact, performs an important social function throughout the world. For, in many countries, business could not be transacted at all without the lubricant of bribery; in this way, crippling and destructive regulations and exactions can be avoided. A "corrupt government," then, is not necessarily a bad thing; *compared* to an "incorruptible government" whose officials enforce the laws with great severity, "corruption" can at least allow a partial flowering of voluntary transactions and actions in a society. Of course, in neither case are either the regulations or prohibitions, or the enforcement officials themselves, justified, since neither they nor the exactions should be in existence at all.²

2. There is considerable evidence that the Soviet economy only works at all because of the pervasiveness of bribery, or "blat"; Margaret Miller calls it "the shadow system of private enterprise within planning." Margaret Miller, "Markets in Russia," in M. Miller, T. Piotrowicz, L. Sirc, and H. Smith, *Communist Economy Under Change* (London: Institute for Economic Affairs, 1963), pp. 23–30.

H. L. Mencken tells a charming and instructive story of the contrast between "corruption" and "reform":

He [Mencken's father] believed that political corruption was inevitable under democracy, and even argued, out of his own experience, that it had its uses. One of his favorite anecdotes was about a huge swinging sign that used to hang outside his place of business in Paca Street. When the building was built in 1885, he simply hung out the sign, sent

In some areas, a radical distinction between private persons and government officials is acknowledged in existing law and opinion. Thus, a private individual's "right to privacy" or right to keep silent does not and should not apply to government officials, whose records and operations should be open to public knowledge and evaluation. There are two democratic arguments for denying the right to privacy to government officials, which, while not strictly libertarian, are valuable as far as they go: namely, (1) that in a democracy, the public can only decide on public issues and vote for public officials if they have complete knowledge of government operations; and (2) that since the taxpayers pay the bill for government, they should have the right to know what government is doing. The libertarian argument would add that, since government is an aggressor organization against the rights and persons of its citizens, then full disclosure of its operations is at least one right that its subjects might wrest from the State, and which they may be able to use to resist or whittle down State power.

Another area where the law now distinguishes between private citizens and public officials is the law of libel. We have maintained above that libel laws are illegitimate. But, even given laws against libel, it is important to distinguish between libeling a private citizen and a government official or agency. By the nineteenth century, we had fortunately gotten rid of the pernicious common law of "seditious libel," which had been used as a club to repress almost any criticisms of government. Currently, libel laws have now been fortunately weakened when applied, not merely to government *per se*, but also to politicians or government officials.

Many anarchist libertarians claim it immoral to vote or to engage in political action—the argument being that by participating in this way in State activity, the libertarian places his moral imprimatur upon the State apparatus itself. But a moral decision must be a free decision, and the State has placed individuals in society in an unfree environment,

for the city councilman of the district, and gave him \$20. This was in full settlement forevermore of all permit and privilege fees, easement taxes, and other such costs and imposts. The city councilman pocketed the money, and in return was supposed to stave off any cops, building inspectors, or other functionaries who had any lawful interest in the matter, or tried to horn in for private profit. Being an honorable man according to his lights, he kept his bargain, and the sign flapped and squeaked in the breeze for ten years. But then, in 1895, Baltimore had a reform wave, the councilman was voted out of office, and the idealists in the City Hall sent word that a license to maintain the sign would cost \$62.75 a year. It came down the next day. This was proof to my father that reform was mainly only a conspiracy of prehensile charlatans to mulct taxpayers.

H. L. Mencken, *Happy Days: 1880–1892* (New York: Alfred Knopf, 1947), pp. 251–52.

in a general matrix of coercion. The State—unfortunately—exists, and people must necessarily begin with this matrix to try to remedy their condition. As Lysander Spooner pointed out, in an environment of State coercion, voting does not imply voluntary consent.³ Indeed, if the State allows us a periodic choice of rulers, limited though that choice may be, it surely cannot be considered immoral to make use of that limited choice to try to reduce or get rid of State power.⁴

The State, then, is not simply a part of society. The brunt of this part of the present volume, in fact, is to demonstrate that the State is *not*, as most utilitarian free-market economists like to think, a legitimate social institution that tends to be bumbling and inefficient in most of its activities. On the contrary, the State is an inherently illegitimate institution of organized aggression, of organized and regularized crime against the persons and properties of its subjects. Rather than necessary to society, it is a profoundly antisocial institution which lives parasitically off of the productive activities of private citizens. Morally, it must be considered as illegitimate and outside of the ordinary libertarian legal system (such as adumbrated in Part II above), which delimits and insures the rights and just properties of private citizens. Thus, from the point of view of justice and morality, the State can own no property, require no obedience, enforce no contracts made with it, and indeed, cannot exist at all.

A common defense of the State holds that man is a “social animal,” that he must live in society, and that individualists and libertarians believe in the existence of “atomistic individuals” uninfluenced by and unrelated to their fellow men. But no libertarians have ever held individuals to be isolated atoms; on the contrary, all libertarians have recognized the necessity and the enormous advantages of living in society, and of participating in the social division of labor. The great *non sequitur* committed by defenders of the State, including classical Aristotelian and Thomist philosophers, is to leap from the necessity of *society* to the necessity of the *State*.⁵ On the contrary, as we have indicated, the State is an antisocial instrument, crippling voluntary interchange, individual creativity, and the division of labor. “Society” is a convenient label for the voluntary interrelations of individuals, in peaceful exchange and on the market. Here we may point to Albert Jay Nock’s penetrating distinction between “social power”—the fruits of voluntary interchange in the

3. For the relevant passage from Spooner, see pp. 165–66 above.

4. For more on the proper strategy for liberty, see pp. 257–74 below.

5. See Murray N. Rothbard, *Power and Market*, 2nd ed. (Kansas City: Sheed Andrews and McMeel, 1977), p. 237.

economy and in civilization—and “State power,” the coercive interference and exploitation of those fruits. In that light, Nock showed that human history is basically a race between State power and social power, between the beneficent fruits of peaceful and voluntary production and creativity on the one hand, and the crippling and parasitic blight of State power upon the voluntary and productive social process.⁶ All of the services commonly thought to require the State—from the coining of money to police protection to the development of law in defense of the rights of person and property—can be and have been supplied far more efficiently, and certainly more morally, by private persons. The State is in no sense required by the nature of man; quite the contrary.

6. See Albert Jay Nock, *Our Enemy, The State* (New York: Free Life Editions, 1973), pp. 3ff.

25. On Relations Between States

Each State has an assumed monopoly of force over a given territorial area, the areas varying in size in accordance with different historical conditions. *Foreign policy*, or *foreign relations*, may be defined as the relationship between any particular State, A, and other States, B, C, D, and the inhabitants living under those States. In the ideal moral world, no States would exist, and hence, of course, no foreign policy could exist. Given the existence of States, however, are there any moral principles that libertarianism can direct as criteria for foreign policy? The answer is broadly the same as in the libertarian moral criteria directed toward the “domestic policy” of States, namely, to reduce the degree of coercion exercised by States over individual persons as much as possible.

Before considering inter-State actions, let us return for a moment to the pure libertarian stateless world where individuals and their hired private protection agencies strictly confine their use of violence to the defense of person and property against violence. Suppose that, in this world, Jones finds that he or his property is being aggressed against by Smith. It is legitimate, as we have seen, for Jones to repel this invasion by the use of defensive violence. But, now we must ask: is it within the right of Jones to commit aggressive violence against innocent third parties in the course of his legitimate defense against Smith? Clearly the answer must be “No.” For the rule prohibiting violence against the persons or property of innocent men is absolute; it holds regardless of the subjective *motives* for the aggression. It is wrong, and criminal, to violate the property or person of another, even if one is a Robin Hood, or is starving, or is defending oneself against a third man’s attack. We may understand and sympathize with the motives in many of these cases and extreme situations. We (or, rather, the victim or his heirs) may later mitigate the guilt if the criminal comes to trial for punishment, but we cannot evade the judgment that this aggression is still a criminal act, and one which the victim has every right to repel, by violence if necessary. In short, A aggresses against B because C is threatening, or aggressing against, A. We may understand C’s “higher” culpability in this whole procedure, but we still label this aggression by A as a criminal act which B has every right to repel by violence.

To be more concrete, if Jones finds that his property is being stolen by Smith, Jones has the right to repel him and try to catch him, but Jones has *no* right to repel him by bombing a building and murdering innocent people or to catch him by spraying machine gun fire into an innocent

crowd. If he does this, he is as much (or more) a criminal aggressor as Smith is.

The same criteria hold if Smith and Jones each have men on his side, i.e. if "war" breaks out between Smith and his henchmen and Jones and his bodyguards. If Smith and a group of henchmen aggress against Jones, and Jones and his bodyguards pursue the Smith gang to their lair, we may cheer Jones on in his endeavor; and we, and others in society interested in repelling aggression, may contribute financially or personally to Jones's cause. But Jones and his men have *no* right, any more than does Smith, to aggress against anyone else in the course of their "just war": to steal others' property in order to finance their pursuit, to conscript others into their posse by use of violence, or to kill others in the course of their struggle to capture the Smith forces. If Jones and his men should do any of these things, they become criminals as *fully* as Smith, and they too become subject to whatever sanctions are meted out against criminality. In fact, if Smith's crime was theft, and Jones should use conscription to catch him, or should kill innocent people in the pursuit, then Jones becomes *more of* a criminal than Smith, for such crimes against another person as enslavement and murder are surely far worse than theft.

Suppose that Jones, in the course of his "just war" against the ravages of Smith, should kill some innocent people; and suppose that he should declaim, in defense of this murder, that he was simply acting on the slogan, "give me liberty or give me death." The absurdity of this "defense" should be evident at once, for the issue is not whether Jones was willing to risk death personally in his defensive struggle against Smith; the issue is whether he was willing to kill other innocent people in pursuit of his legitimate end. For Jones was in truth acting on the completely indefensible slogan: "Give me liberty or give *them* death"—surely a far less noble battle cry.

War, then, even a just defensive war, is only proper when the exercise of violence is rigorously limited to the individual criminals themselves. We may judge for ourselves how many wars or conflicts in history have met this criterion.

It has often been maintained, and especially by conservatives, that the development of the horrendous modern weapons of mass murder (nuclear weapons, rockets, germ warfare, etc.) is only a difference of *degree* rather than *kind* from the simpler weapons of an earlier era. Of course, one answer to this is that when the degree is the number of human lives, the difference is a very big one. But a particularly libertarian reply is that while the bow and arrow, and even the rifle, can be pinpointed, if the will be there, against actual criminals, modern nuclear weapons cannot. Here is a crucial difference in kind. Of course, the bow and arrow could

be used for aggressive purposes, but it could also be pinpointed to use only against aggressors. Nuclear weapons, even “conventional” aerial bombs, cannot be. These weapons are *ipso facto* engines of indiscriminate mass destruction. (The only exception would be the extremely rare case where a mass of people who were *all* criminals inhabited a vast geographical area.) We must, therefore, conclude that the use of nuclear or similar weapons, or the threat thereof, is a crime against humanity for which there can be no justification.¹

This is why the old cliché no longer holds that it is not the arms but the will to use them that is significant in judging matters of war and peace. For it is precisely the characteristic of modern weapons that they *cannot* be used selectively, cannot be used in a libertarian manner. Therefore, their very existence must be condemned, and nuclear disarmament becomes a good to be pursued for its own sake. Indeed, of all the aspects of liberty, such disarmament becomes the highest political good that can be pursued in the modern world. For just as murder is a more heinous crime against another man than larceny, so mass murder—indeed murder so widespread as to threaten human civilization and human survival itself—is the worst crime that any man could possibly commit. And that crime is now all too possible. Or are libertarians going to wax properly indignant about price controls or the income tax, and yet shrug their shoulders at or even positively advocate the ultimate crime of mass murder?

If nuclear warfare is totally illegitimate even for individuals defending themselves against criminal assault, how much more so is nuclear or even “conventional” warfare between States!

Let us now bring the State into our discussion. Since each State arrogates to itself a monopoly of violence over a territorial area, so long as its depredations and extortions go unresisted, there is said to be “peace” within the area, since the only violence is continuing and one-way, directed by the State downward against its people. Open conflict within the area only breaks out in the case of “revolutions,” in which people resist the use of State power against them. Both the quiet case of the State unresisted and the case of open revolution may be termed “vertical violence”: violence of the State against its public or vice versa.

In the existing world, each land area is ruled over by a State organization, with a number of States scattered over the earth, each with a monopoly

1. For a clear statement of the moral validity of the distinction between combatants and noncombatants, see G.E.M. Anscombe, *Mr. Truman's Degree* (Oxford: privately printed, 1956). The pamphlet was issued as a protest against the granting of an honorary doctorate to President Truman by Oxford University.

of violence over its own territory. No super-State exists with a monopoly of violence over the entire world; and so a state of “anarchy” exists between the several States.² And so, except for revolutions, which occur only sporadically, the open violence and two-sided conflict in the world takes place *between* two or more States, i.e., what is called “international war” or “horizontal violence.”

Now there are crucial and vital differences between inter-State warfare on the one hand and revolutions against the State or conflicts between private individuals on the other. In a revolution the conflict takes place *within* the same geographical area: both the minions of the State and the revolutionaries inhabit the same territory. Inter-State warfare, on the other hand, takes place between two groups, each having a monopoly over its own geographical area, i.e. it takes place between inhabitants of different territories. From this difference flow several important consequences:

(1) In inter-State war, the scope for the use of modern weapons of mass destruction is far greater. For if the escalation of weaponry in an intra-territorial conflict becomes too great, each side will blow itself up with the weapons directed against the other. Neither a revolutionary group nor a State combatting revolution, for example, can use nuclear weapons against the other. But, on the other hand, when the warring parties inhabit different territorial areas, the scope for modern weaponry becomes enormous, and the entire arsenal of mass devastation can come into play.

A second corollary consequence (2) is that while it is *possible* for revolutionaries to pinpoint their targets and confine them to their State enemies, and thus avoid aggressing against innocent people, pinpointing is far less possible in an inter-State war. This is true even with older weapons; and, of course, with modern weapons there can be no pinpointing whatever.

Furthermore, (3) since each State can mobilize all the people and resources in its territory, the other State comes to regard all the citizens of the opposing country as at least temporarily its enemies and to treat them accordingly by extending the war to them. Thus, all of the consequences of inter-territorial war make it almost inevitable that inter-State war will involve aggression by each side against the innocent civilians—the private individuals—of the other. This inevitability becomes absolute with modern weapons of mass destruction.

If one distinct attribute of inter-State war is inter-territoriality, another unique attribute stems from the fact that each State lives by taxation over

2. It is curious and inconsistent that conservative advocates of “limited government” denounce as absurd any proposal for eliminating a monopoly of violence over a given territory, thus leaving private individuals without an overlord, and yet are equally insistent on leaving nation-States without an overlord to settle disputes between them.

its subjects. Any war against another State, therefore, involves the increase and extension of taxation-aggression against its own people. Conflicts between private individuals can be, and usually are, voluntarily waged and financed by the parties concerned. Revolutions can be, and often are, financed and fought by voluntary contributions of the public. But State wars can only be waged through aggression against the taxpayer.

All State wars, therefore, involve increased aggression against the State's own taxpayers, and almost all State wars (*all*, in modern warfare) involve the maximum aggression (murder) against the innocent civilians ruled by the enemy State. On the other hand, revolutions are often financed voluntarily and *may* pinpoint their violence to the State rulers; and private conflicts may confine their violence to the actual criminals. We must therefore conclude that, while some revolutions and some private conflicts *may* be legitimate, State wars are *always* to be condemned.

Some libertarians might object as follows: "While we too deplore the use of taxation for warfare, and the State's monopoly of defense service, we have to recognize that these conditions exist, and while they do, we must support the State in just wars of defense." In the light of our discussion above, the reply would go as follows: "Yes, States exist, and as long as they do, the libertarian attitude toward the State should be to say to it, in effect: 'All right, you exist, but so long as you do, *at least* confine your activities to the area which you monopolize.'" In short, the libertarian is interested in reducing as much as possible the area of State aggression against all private individuals, "foreign" and "domestic." The only way to do this, in international affairs, is for the people of each country to pressure their own State to confine its activities to the area which it monopolizes, and not to aggress against other State-monopolists—particularly the *people* ruled by other States. In short, the objective of the libertarian is to confine any existing State to as small a degree of invasion of person and property as possible. And this means the total avoidance of war. The people under each State should pressure "their" respective States not to attack one another, and, if a conflict should break out, to negotiate a peace or declare a cease-fire as quickly as physically possible.

Suppose further that we have that rarity—an unusually clear-cut case in which the State is actually trying to defend the property of one of its citizens. A citizen of country A travels or invests in country B, and then State B aggresses against his person or confiscates his property. Surely, our libertarian critic might argue, here is a clear-cut case where State A should threaten or commit war against State B in order to defend the property of "its" citizen. Since, the argument runs, the State has taken upon itself the monopoly of defense of its citizens, it then has the obligation

to go to war on behalf of any citizen, and libertarians must support such a war as a just one.

But the point again is that each State has a monopoly of violence, and therefore of defense, *only* over its territorial area. It has no such monopoly—in fact it has no power at all—over any other geographical area. Therefore, if an inhabitant of country A should move to or invest in country B, the libertarian must argue that he thereby takes his chances with the State monopolist of country B, and that it would be immoral and criminal for State A to tax people in country A *and* to kill numerous innocents in country B in order to defend the property of the traveller or investor.³

It should also be pointed out that there is *no* defense against nuclear weapons (the only current “defense” being the threat of “mutually assured destruction”) and, therefore, that the State *cannot* fulfill any sort of international defense function so long as these weapons exist.

The libertarian objective, then, should be, regardless of the specific causes of any conflict, to pressure States not to launch wars against other States and, should a war break out, to pressure them to sue for peace and negotiate a cease-fire and a peace treaty as quickly as physically possible. This objective, incidentally, was enshrined in the old-fashioned international law of the eighteenth and nineteenth centuries, i.e., the ideal that no State aggress against the territory of another—which is now called the “peaceful coexistence” of States.

Suppose, however, that despite libertarian opposition, war has begun and the warring States are not negotiating a peace. What, then, should be the libertarian position? Clearly, to reduce the scope of assault against innocent civilians as much as possible. Old-fashioned international law had two excellent devices for this purpose: the “laws of war,” and the “laws of neutrality” or “neutrals’ rights.” The laws of neutrality were designed to keep any war that breaks out strictly confined to the warring States themselves, without aggression against the States, or particularly the peoples, of the other nations. Hence, the importance of such ancient and now forgotten American principles as “freedom of the seas” or severe limitations upon the rights of warring States to repress neutral trade with the enemy country. In short, the libertarian position is to induce the warring States to observe fully the rights of neutral citizens.

3. There is another consideration which applies rather to “domestic” defense within a State’s territory: the *less* the State can successfully defend the inhabitants of its area against attack by (non-State) criminals, the *more* these inhabitants may come to learn the inefficiency of State operations, and the more they will turn to non-State methods of defense. Failure by the State to defend, therefore, may have educative value for the public.

For their part, the “laws of war” were designed to limit as much as possible the invasion by warring States of the rights of the civilians of the respective warring countries. As the British jurist F.J.P. Veale put it:

The fundamental principle of this code was that hostilities between civilized peoples must be limited to the armed forces actually engaged. . . . It drew a distinction between combatants and noncombatants by laying down that the sole business of the combatants is to fight each other and, consequently, that noncombatants must be excluded from the scope of military operations.⁴

In condemning all wars, regardless of motive, the libertarian knows that there may well be varying degrees of guilt among States for any specific war. But his overriding consideration is the condemnation of any State participation in war. Hence, his policy is that of exerting pressure on all States not to start or engage in a war, to stop one that has begun, and to reduce the scope of any persisting war in injuring civilians of either side or no side.

One corollary of the libertarian policy of peaceful coexistence and nonintervention between States is the rigorous abstention from any foreign aid, aid from one State to another. For any aid given by State A to State B (1) increases the tax aggression against the people of country A, and (2) aggravates the suppression by State B of its own people.

Let us see how libertarian theory applies to the problem of *imperialism*, which may be defined as the aggression of State A over the people of country B, and the subsequent maintenance of this foreign rule. This rule could either be directly over country B, or indirectly through a subsidiary client State B. Revolution by the people of B against the imperial rule of A (either directly or against client State B) is certainly legitimate, provided again that the revolutionary fire be directed only against the rulers. It has often been maintained by conservatives—and even by some libertarians—that Western imperialism over undeveloped countries should be supported as more watchful of property rights than any successor native government might be. But first, judging what might follow the status quo is purely speculative, whereas the oppression of existing imperial rule over the people of country B is all too real and culpable. And secondly, this analysis neglects the injuries of imperialism suffered by the Western taxpayer, who is mulcted and burdened to pay

4. F.J.P. Veale, *Advance to Barbarism* (Appleton, Wisc.: C.C. Nelson, 1953), p. 58.

for the wars of conquest and then for the maintenance of the imperial bureaucracy. On this latter ground alone, the libertarian must condemn imperialism.⁵

Does opposition to all inter-State war mean that the Libertarian can never countenance change of geographical boundaries—that he is consigning the world to a freezing of unjust territorial regimes? Certainly not. Suppose, for example, that the hypothetical State of “Walldavia” has attacked “Ruritania” and annexed the western part of the country. The Western Ruritarians now long to be reunited with their Ruritanian brethren (perhaps because they wish to use their Ruritanian language undisturbed). How is this to be achieved? There is, of course, the route of peaceful negotiations between the two powers; but suppose that the Walldavian imperialists prove adamant. Or, libertarian Walldavians can put pressure on their State to abandon its conquest in the name of justice. But suppose that this, too, does not work. What then? We must still maintain the illegitimacy of the Ruritanian State’s mounting a war against Walldavia. The legitimate routes to geographical change are (1) revolutionary uprisings by the oppressed Western Ruritanian people, and (2) aid by private Ruritanian groups (or, for that matter, by friends of the Ruritanian cause in other countries) to the Western rebels—either in the form of equipment or volunteer personnel.

Finally, we must allude to the domestic tyranny that is the inevitable accompaniment of inter-State war, a tyranny that usually lingers long after the war is over. Randolph Bourne realized that “war is the health of the State.”⁶ It is in war that the State really comes into its own: swelling in power, in number, in pride, in absolute dominion over the economy and the society. The root myth that enables the State to wax fat off war is the canard that war is a defense *by* the State *of* its subjects. The facts are

5. Two further empirical points may be made about Western imperialism. First, the property rights respected were largely those of the Europeans; the *native* population often found their best lands stolen from them by the imperialists, and their labor coerced by violence into working mines or landed estates acquired by this theft.

Second, another myth holds that the “gunboat diplomacy” of the turn of the twentieth century was, after all, a defense of the property rights of Western investors in backward countries. But, apart from our above strictures against going beyond any given State’s monopolized land area, it is generally overlooked that the bulk of gunboat actions were in defense *not* of private investments, but of Western holders of native government bonds. The Western powers coerced the native governments into increasing tax aggression upon their own people in order to pay off foreign bondholders. This was no action on behalf of private property—quite the contrary.

6. Randolph Bourne, *War and the Intellectuals*, C. Resek, ed. (New York: Harper and Row, 1964), p. 69.

precisely the reverse. For if war is the health of the State, it is also its greatest danger. A State can only "die" by defeat in war or by revolution. In war, therefore, the State frantically mobilizes the people to fight for it against another State, under the pretext that it is fighting for them. Society becomes militarized and statized, it becomes a herd, seeking to kill its alleged enemies, rooting out and suppressing all dissent from the official war effort, happily betraying truth for the supposed public interest. Society becomes an armed camp, with the values and the morale—as Albert Jay Nock once phrased it—of an "army on the march."⁷

7. An earlier version of this view can be found in Murray N. Rothbard, "War, Peace, and the State," in *Egalitarianism as a Revolt Against Nature, and Other Essays* (Washington, D.C.: Libertarian Review Press, 1974), pp. 70–80.

PART IV:
**MODERN ALTERNATIVE THEORIES
OF LIBERTY**

Having presented our theory of liberty and property rights, and discussed the inherent role of the State *vis-à-vis* liberty, we turn in this part of the work to a discussion and critique of several leading alternative theories of liberty brought forth in the modern world, by those who are very roughly in the free-market, or classical liberal, tradition. Whatever the other merits of these theories, they will be seen to provide a flawed and inadequate foundation for a systematic theory of liberty and the rights of the individual.

26. Utilitarian Free-Market Economics

A. Introduction: Utilitarian Social Philosophy

Economics emerged as a distinct, self-conscious science or discipline in the nineteenth century, and hence this development unfortunately coincided with the dominance of utilitarianism in philosophy. The social philosophy of economists, therefore, whether the laissez-faire creed of the nineteenth century or the statism of the twentieth, has almost invariably been grounded in utilitarian social philosophy. Even today, political economy abounds with discussion of the weighing of “social costs” and “social benefits” in deciding upon public policy.

We cannot engage here in a critique of utilitarianism as an ethical theory.¹ Here we are interested in analyzing certain attempts to use a utilitarian ethic to provide a defensible groundwork for a libertarian or laissez-faire ideology. Our brief criticisms will concentrate, then, on utilitarianism insofar as it has been used as a groundwork for a libertarian, or quasi-libertarian, political philosophy.²

In brief, utilitarian social philosophy holds the “good” policy to be the one that yields the “greatest good for the greatest number”: in which each person counts for one in making up that number, and in which “the good” is held to be the fullest satisfaction of the purely subjective desires of the individuals in society. Utilitarians, like economists (see further below) like to think of themselves as “scientific” and “value-free,” and their doctrine supposedly permits them to adopt a virtually value-free stance; for they are presumably not imposing their own values, but simply recommending the greatest possible satisfaction of the desires and wants of the mass of the population.

But this doctrine is hardly scientific and by no means value-free. For one thing, why the “greatest number”? Why is it ethically better to follow the wishes of the greater as against the lesser number? What’s so good about the “greatest number”?³ Suppose that the vast majority of

1. For the beginning of a critique of utilitarianism in the context of the alternative of a natural-law ethics, see John Wild, *Plato's Modern Enemies and the Theory of Natural Law* (Chicago: University of Chicago Press, 1953); Henry B. Veatch, *For An Ontology of Morals: A Critique of Contemporary Ethical Theory* (Evanston, Ill.: Northwestern University Press, 1971). On utilitarianism's inadequacy as a libertarian political philosophy, see Herbert Spencer, *Social Statics* (New York: Robert Schalkenbach Foundation, 1970) pp. 3–16.

2. For preceding criticisms of utilitarian approaches in this work, see pp. 11–13 above.

3. And what if, even in utilitarian terms, more happiness can be obtained by following the wishes of the *smaller* number? For a discussion of this problem, see Peter Geach, *The Virtues* (Cambridge: Cambridge University Press, 1977), pp. 91ff.

people in a society hate and revile redheads, and greatly desire to murder them; and suppose further that there are only a few redheads extant at any time. Must we then say that it is "good" for the vast majority to slaughter redheads? And if not, why not? At the very least, then, utilitarianism scarcely suffices to make a case for liberty and laissez-faire. As Felix Adler wryly put it, utilitarians

pronounce the greatest happiness of the greatest number to be the social end, although they fail to make it intelligible why the happiness of the greater number should be cogent as an end upon those who happen to belong to the lesser number.⁴

Secondly, what is the justification for each person counting for one? Why not some system of weighting? This, too, seems to be an unexamined and therefore unscientific article of faith in utilitarianism.

Thirdly, why is "the good" only fulfilling the subjective emotional desires of each person? Why can there be no supra-subjective critique of these desires? Indeed, utilitarianism implicitly assumes these subjective desires to be absolute givens which the social technician is somehow duty-bound to try to satisfy. But it is common human experience that individual desires are *not* absolute and unchanging. They are not hermetically sealed off from persuasion, rational or otherwise; experience and other individuals can and do persuade and convince people to change their values. But how could that be so if all individual desires and values are pure givens and therefore not subject to alteration by the inter-subjective persuasion of others? But if these desires are not givens, and they *are* changeable by the persuasion of moral argument, it would then appear that inter-subjective moral principles *do* exist that can be argued and can have an impact on others.

Oddly enough, while utilitarianism assumes that morality, the good, is purely subjective to each individual, it assumes on the other hand that these subjective desires can be added, subtracted, and weighed across the various individuals in society. It assumes that individual subjective utilities and costs can be added, subtracted, and measured so as to arrive at a "net social utility" or social "cost," thus permitting the utilitarian to advise for or against a given social policy.⁵ Modern welfare economics

4. Felix Adler, "The Relation of Ethics to Social Science," in H.J. Rogers, ed., *Congress of Arts and Science* (Boston: Houghton Mifflin, 1906), vol. 7, p. 673.

5. Furthermore, some preferences, such as someone's desire to see an innocent person suffer, seem immoral on objective grounds. Yet a utilitarian must hold that they, fully as much as the most innocuous or altruistic preferences, must be included in the quantitative reckoning. I am indebted to Dr. David Gordon for this point.

is particularly adept at arriving at estimates (even allegedly precise quantitative ones) of “social cost” and “social utility.” But economics does correctly inform us, not that *moral principles* are subjective, but that utilities and costs *are* indeed subjective: individual utilities are purely subjective and ordinal, and therefore it is totally illegitimate to add or weight them to arrive at any estimate for “social” utility or cost.

B. The Unanimity and Compensation Principles

Utilitarian economists, even more than their philosophic confreres, are eager to make “scientific” and “value free” pronouncements on public policy. Believing, however, that ethics are purely arbitrary and subjective, how may economists then take policy positions? This chapter will explore ways in which utilitarian free-market economists presume to favor a free market while attempting to refrain from taking ethical positions.⁶

One important utilitarian variant is the Unanimity Principle, based on the criterion of “Pareto optimality” that a political policy is “good” if one or more people are “better off” (in terms of satisfying utilities) from that policy while no one is “worse off.” A strict version of Pareto optimality implies unanimity: that every person agrees to, hence believes that he will be better off or at least no worse off, from a particular government action. In recent years, the Unanimity Principle as groundwork for a free market of voluntary and contractual agreements has been stressed by Professor James Buchanan. The Unanimity Principle has great attractions for “value-free” economists eager to make policy judgments, for far more than in the case of mere majority rule; surely the economist can safely advocate a policy if *everyone* in the society favors it. While the Unanimity Principle may at first appear superficially attractive to libertarians, however, there is at its heart a vital and irredeemable flaw: that the goodness of free contracts or unanimously approved changes from the existing situation depends completely on the goodness or justice of that existing situation *itself*. Yet neither Pareto Optimality, nor its Unanimity Principle variant, can say anything about the goodness or justice of the existing status quo, concentrating as they do solely on *changes from* that situation, or zero point.⁷ Not only that, but the requirement of unanimous approval of changes

6. For an extended analysis of the relationship between economics, value judgments, and government policy, see Murray N. Rothbard, “Praxeology, Value Judgments, and Public Policy,” in E. Dolan, ed., *The Foundations of Modern Austrian Economics* (Kansas City: Sheed and Ward, 1976), pp. 89–111.

7. Neither does the Unanimity Principle, as will be shown further below, keep the economist from making his own value judgments and thus breaching his “value freedom”;

necessarily *freezes* the existing status quo. If the status quo is unjust or repressive of liberty, then the Unanimity Principle is a grave barrier to justice and liberty rather than a bulwark on its behalf. The economist who advocates the Unanimity Principle as a seemingly value-free pronouncement for liberty is instead making a massive and totally unsupported value judgment on behalf of freezing the status quo.

The commonly accepted "Compensation Principle" variant of Pareto optimality contains all the flaws of the strict Unanimity Principle, while adding many of its own. The Compensation Principle asserts that a public policy is "good" if the gainers (in utility) from that policy can compensate the losers and still enjoy net gains. So that while there *are* losers in utility from this policy at the beginning, there are no such losers after the compensations take place. But the Compensation Principle assumes that it is conceptually possible to add and subtract utilities interpersonally, and thereby to measure gains and losses; it also assumes that each individual's gains and losses can be precisely estimated. But economics informs us that "utility," and hence gains and losses in utility, are purely subjective and psychic concepts, and that they cannot possibly be measured or even estimated by outside observers. Gains and losses in utility therefore cannot be added, measured, or weighted against each other, and much less can precise compensations be discovered. The usual assumption by economists is to measure psychic losses in utility by the monetary price of an asset; thus, if a railroad damages the land of a farmer by smoke, it is assumed by the compensationists that the farmer's loss can be measured by the market price of the land. But this assumption ignores the fact that the farmer may well have a psychic attachment to that land which is far greater than the market price, and that, furthermore, it is impossible to find out what the farmer's psychic attachment to the land may be. *Asking* the farmer is useless, since he may *say*, for example, that his attachment to the land is much higher than the market price, but he may well be lying. The government, or other outside observer, has no way of finding out one way or the other.⁸ Furthermore, the existence in the society of just *one* militant anarchist,

for even if the economist merely shares in *everyone else's* value judgment, he is making a value judgment nevertheless.

8. Individuals *demonstrate* part of their utility rankings when they make free-market exchanges, but government actions, of course, are non-market phenomena. For a further analysis of this question, see Walter Block, "Coase and Demsetz on Private Property Rights," *Journal of Libertarian Studies* 1 (Spring 1977): 111–15. For more on demonstrated preference as opposed to the concept of social utility, see Rothbard, "Praxeology, Value Judgments, and Public Policy"; and Murray N. Rothbard, *Toward A Reconstruction of Utility and Welfare Economics* (New York: Center for Libertarian Studies, 1977).

whose psychic grievance against government is such that he *cannot* be compensated for his psychic disutility from the existence or activity of government, is enough by itself to destroy the Compensation Principle case for any government action whatsoever. And surely at least one such anarchist exists.

A stark but not atypical example of the fallacies and the unjust devotion to the status quo of the Compensation Principle was the debate in the British Parliament during the early nineteenth century on the abolition of slavery. Early adherents of the Compensation Principle were there maintaining that the masters must be compensated for the loss of their investment in slaves. At which point, Benjamin Pearson, a member of the libertarian Manchester School, declared that he “had thought it was the slaves who should have been compensated.”⁹ Precisely! Here is a striking example of the need, in advocating public policy, to have some ethical system, some concept of justice. Those of us ethicists who hold that slavery is criminal and unjust would always oppose the idea of compensating the masters, and would rather think in terms of requiring the masters to compensate the slaves for their years of oppression. But the “value-free economist,” resting on the Unanimity and Compensation Principles, is, on the contrary, implicitly placing his unsupported and arbitrary value imprimatur on the unjust status quo.

In a fascinating exchange with a critic of the Unanimity Principle, Professor Buchanan concedes that

I am defending the status quo . . . not because I like it, I do not But my defense of the status quo stems from my unwillingness, indeed inability, to discuss changes other than those that are contractual in nature. I can, of course, lay down my own notions. . . . But, to me, this is simply wasted effort.

Thus, tragically, Buchanan, admitting that his idea of ethics is one of purely subjective and arbitrary “notions,” is yet willing to promulgate what can only be an equally subjective and arbitrary notion *on his own grounds*—a defense of the status quo. Buchanan concedes that his procedure:

does allow me to take a limited step toward normative judgments or hypotheses, namely to suggest that the changes seem to be potentially agreeable to everyone. Pareto efficient changes, which must, of course, include compensations. The criterion in my scheme is agreement.

9. William D. Grampp, *The Manchester School of Economics* (Stanford, Calif.: Stanford University Press, 1969), p. 59. See above, p. 60. Also see Murray N. Rothbard, “Value Implications of Economic Theory,” *The American Economist* (Spring 1973): 38–39.

But what is the justification for this “limited step”? What’s so great about agreement on changes from a possibly unjust status quo? Isn’t such a limited step also an arbitrary “notion” for Buchanan? And if willing to proceed to such an unsatisfactory limit, why not go still further to question the status quo?

Buchanan proceeds to assert that:

[O]ur task is really . . . that of trying to find, locate, invent, schemes that can command unanimous or quasi-unanimous consent and propose them. [What in the world is “quasi-unanimity?”] Since persons disagree on so much, these schemes may be a very limited set, and this may suggest to you that few changes are possible. Hence, the status quo defended indirectly. The status quo has no propriety at all save for its existence and it is all that exists. The point I always emphasize is that we start from here not from somewhere else.¹⁰

Here one longs for Lord Acton’s noble dictum: “Liberalism wishes for what ought to be, irrespective of what is.”¹¹ Buchanan’s critic, though far from a libertarian or a free-market liberal, here properly has the last word: “I certainly do not totally object to seeking contractual solutions; but I do think that they can’t be projected in a vacuum which allows the status quo power structure to go unspecified and unexamined.”¹²

C. Ludwig von Mises and “Value-Free” Laissez Faire¹³

Let us now turn to the position of Ludwig von Mises on the entire matter of praxeology, value-judgments, and the advocacy of public policy. The case of Mises is particularly interesting, for he was, of all the economists in the twentieth century, at one and the same time the most uncompromising and passionate adherent of laissez faire and the most rigorous and uncompromising advocate of value-free economics and opponent of any sort of objective ethics. How then did he attempt to reconcile these two positions?¹⁴

10. James M. Buchanan, in Buchanan and Warren J. Samuels, “On Some Fundamental Issues in Political Economy: An Exchange of Correspondence,” *Journal of Economic Issues* (March 1975): 27f.

11. Gertrude Himmelfarb, *Lord Acton* (Chicago: University of Chicago Press, 1962), p. 204.

12. Samuels, in Buchanan and Samuels, “Some Fundamental Issues,” p. 37.

13. This section is adapted from my “Praxeology, Value Judgments, and Public Policy.”

14. For a posing of this question, see William E. Rappard “On Reading Von Mises,” in M. Sennholz, ed., *On Freedom and Free Enterprise* (Princeton, N.J.: D. Van Nostrand, 1956), pp. 17–33.

Mises offered two separate and very different solutions to this problem. The first is a variant of the Unanimity Principle. Essentially this variant affirms that an economist *per se* cannot say that a given governmental policy is “good” or “bad.” However, if a given policy will lead to consequences, as explained by praxeology, which every one of the supporters of the policy will agree is bad, *then* the value-free economist is justified in calling the policy a “bad” one. Thus, Mises writes:

An economist investigates whether a measure *a* can bring about the result *p* for the attainment of which it is recommended, and finds that *a* does not result in *p* but in *g*, an effect which even the supporters of the measure *a* consider undesirable. If the economist states the outcome of his investigation by saying that *a* is a bad measure, he does not pronounce a judgment of value. He merely says that from the point of view of those aiming at the goal *p*, the measure *a* is inappropriate.¹⁵

And again:

Economics does not say that . . . government interference with the prices of only one commodity . . . is unfair, bad, or unfeasible. It says, that it makes conditions worse, not better, from the point of view of the government and those backing its interference.¹⁶

Now this is surely an ingenious attempt to allow pronouncements of “good” or “bad” by the economist without making a value judgment; for the economist is supposed to be only a praxeologist, a technician, pointing out to his readers or listeners that *they* will all consider a policy “bad” once he reveals its full consequences. But ingenious as it is, the attempt completely fails. For how does Mises know *what* the advocates of the particular policy consider desirable? How does he know what their value-scales are now or what they will be when the consequences of the measure appear? One of the great contributions of praxeologic economics is that the economist realizes that he doesn’t *know* what anyone’s value scales are except as those value preferences are *demonstrated* by a person’s concrete action. Mises himself emphasized that:

one must not forget that the scale of values or wants manifests itself only in the reality of action. These scales have no independent existence apart from the actual behavior of individuals. The only source from which our knowledge concerning these

15. Ludwig von Mises, *Human Action* (New Haven, Conn.: Yale University Press 1949), p. 879.

16. *Ibid.*, p. 758. Italics in original.

scales is derived is the observation of a man's actions. Every action is always in perfect agreement with the scale of values or wants because these scales are nothing but an instrument for the interpretation of a man's acting.¹⁷

Given Mises's own analysis, then, how can the economist *know* what the motives for advocating various policies really are, or how people will regard the consequences of these policies?

Thus, Mises, *qua* economist, may show that price control (to use his example) will lead to unforeseen shortages of a good to the consumers. But how does Mises know that some advocates of price control do not *want* shortages? They may, for example, be socialists, anxious to use the controls as a step toward full collectivism. Some may be egalitarians who prefer shortages because the rich will not be able to use their money to buy more of the product than poorer people. Some may be nihilists, eager to see shortages of goods. Others may be one of the numerous legion of contemporary intellectuals who are eternally complaining about the "excessive affluence" of our society, or about the great "waste" of energy; they may all delight in the shortages of goods. Still others may favor price control, even after learning of the shortages, because they, or their political allies, will enjoy well-paying jobs or power in the price-control bureaucracy. All sorts of such possibilities exist, and *none* of them is compatible with Mises asserting, *as a value-free economist*, that all the supporters of the price control—or of any other government intervention—must concede, after learning economics, that the measure is bad. In fact, once Mises concedes that even a *single* advocate of price control or any other interventionist measure may acknowledge the economic consequences and *still* favor it, *for whatever reason*, then Mises, as a praxeologist and economist, can no longer call any of these measures "bad" or "good," or even "appropriate" or "inappropriate," without inserting into his economic policy pronouncements the very value judgments that Mises himself holds to be inadmissible in a scientist of human action.¹⁸ For then he is no longer being a technical reporter to all advocates of a certain policy, but himself an advocate participating on one side of a value conflict.

Moreover, there is another fundamental reason for advocates of "inappropriate" policies to refuse to change their minds even after hearing and acknowledging the praxeological chain of consequences. For praxeology may indeed show that all types of government policies

17. *Ibid.*, p. 95.

18. Mises himself concedes at one point that a government or a political party may advocate policies for "demagogic," i.e., for hidden and unannounced reasons. *Ibid.*, p. 104n.

will have consequences that *most* people, at least, will tend to abhor; however, (and this is a vital qualification) most of these consequences take *time*, some a great deal of time. No economist has done more than Ludwig von Mises to elucidate the universality of *time-preference* in human affairs—the praxeologic law that everyone prefers to attain a given satisfaction *sooner* than *later*. And certainly, Mises, as a value-free scientist, could never presume to criticize anyone's *rate* of time preference, to say that A's was "too high" or B's "too low." But, in that case, what about the high-time-preference people in society who may retort to the praxeologist: "perhaps this high tax and subsidy policy will lead to a decline of capital; perhaps even the price control will lead to shortages, but I don't care. Having a high time-preference, I value more highly the short-run subsidies, or the short-run enjoyment of buying the current good at cheaper prices, than the prospect of suffering the future consequences." And Mises, as a value-free scientist and opponent of any concept of objective ethics, *cannot* call them wrong. There is no way that he can assert the superiority of the long-run over the short-run without overriding the values of the high time-preference people; and this cannot be cogently done without abandoning his own subjectivist ethics.

In this connection, one of Mises's basic arguments for the free market is that, on the market, there is a "harmony of the rightly understood interests of all members of the market society." It is clear from his discussion that he doesn't merely mean "interests" after learning the praxeological consequences of market activity or of government intervention. He also, and in particular, means people's "long-run" interests, for, as Mises states, "For 'rightly understood' interests we may as well say interests 'in the long run.'"¹⁹ But what about the high-time-preference folk, who prefer to consult their short-run interests? How can the long-run be called "better" than the short-run; why must "right understanding" necessarily be the long-run?²⁰ We see, therefore, that Mises's attempt to advocate *laissez-faire* while remaining value-free, by assuming that *all* of the advocates of government intervention will abandon their position once they learn of its consequences, falls completely to the ground.

There is another and very different way, however, that Mises attempts to reconcile his passionate advocacy of laissez-faire with the absolute value

19. *Ibid.*, pp. 670 and 670n.

20. For a challenge to the notion that pursuit of one's desires against one's long-term interests is irrational, see Derek Parfit, "Personal Identity," *Philosophical Review* 80 (January 1971): 26.

freedom of the scientist. This is to take a position much more compatible with praxeology: by recognizing that the economist *qua* economist can only trace chains of cause and effect and may not engage in value judgments or advocate public policy. This route of Mises concedes that the economic scientist cannot advocate *laissez faire*, but then adds that he as a *citizen* can do so. Mises, as a citizen, then proposes a value-system but it is a curiously scanty one. For he is here caught in a dilemma. As a praxeologist he knows that he cannot (as an economic scientist) pronounce value judgments or advocate policy; yet he cannot bring himself simply to assert and inject arbitrary value judgments. And so, as a utilitarian (for Mises, along with most economists, is indeed a utilitarian in ethics, although a Kantian in epistemology), what he does is to make *only one* narrow value judgment: that he desires to fulfill the goals of the majority of the public (happily, in this formulation, Mises does not presume to know the goals of *everyone*).

As Mises explains, in his second variant:

Liberalism [i.e. *laissez-faire* liberalism] is a political doctrine. . . . As a political doctrine liberalism (in contrast to economic science) is not neutral with regard to values and ultimate ends sought by action. It assumes that all men or at least the majority of people are intent upon attaining certain goals. It gives them information about the means suitable to the realization of their plans. The champions of liberal doctrines are fully aware of the fact that their teachings are valid only for people who are committed to their valuational principles. While praxeology, and therefore economics too, uses the terms happiness and removal of uneasiness in a purely formal sense, liberalism attaches to them a concrete meaning. It presupposes that people prefer life to death, health to sickness . . . abundance to poverty. It teaches men how to act in accordance with these valuations.²¹

In this second variant, Mises has successfully escaped the self-contradiction of being a value-free praxeologist advocating *laissez faire*. Granting in this variant that the economist may not make such advocacy, he takes his stand as a "citizen" willing to make value judgments. But he is not willing to simply assert an *ad hoc* value judgment; presumably he feels that a valuing intellectual must present *some* sort of ethical system to justify such value judgments. But, as a utilitarian, Mises's system is a curiously bloodless one; even as a valuing *laissez-faire* liberal, he is only

21. Mises, *Human Action*, pp. 153–54.

willing to make *the one* value judgment that he joins the majority of the people in favoring their common peace, prosperity, and abundance. In this way, as an opponent of objective ethics, and uncomfortable as he must be with making any value judgments even as a citizen, he makes the minimal possible degree of such judgments. True to his utilitarian position, his value judgment is the desirability of fulfilling the subjectively desired goals of the bulk of the populace.

A few points in critique of this position may here be made. In the first place, while praxeology can indeed demonstrate that *laissez faire* will lead to harmony, prosperity, and abundance, whereas government intervention leads to conflict and impoverishment,²² and while it is probably true that most people value the former highly, it is *not* true that these are their *only* goals or values. The great analyst of ranked value scales and diminishing marginal utility should have been more aware of such competing values and goals. For example, many people, whether through envy or a misplaced theory of justice, may prefer far more equality of income than will be attained on the free market. Many people, pace the aforementioned intellectuals, may want less abundance in order to whittle down our allegedly “excessive” affluence. Others, as we have mentioned above, may prefer to loot the capital of the rich or the businessman in the short-run, while acknowledging but dismissing the long-run ill effects, because they have a high time-preference. Probably very few of these people will want to push statist measures to the point of total impoverishment and destruction—although this may well happen. But a majority coalition of the above might well opt for *some* reduction in wealth and prosperity on behalf of these other values. They may well decide that it is worth sacrificing a modicum of wealth and efficient production because of the high opportunity cost of *not* being able to enjoy an alleviation of envy, or a lust for power or submission to power, or, for example, the thrill of “national unity” which they might enjoy from a (short-lived) economic crisis.

What can Mises reply to a majority of the public who have indeed *considered* all the praxeological consequences, and still prefer a modicum—or, for that matter, even a drastic amount—of statism in order to achieve some of their competing goals? As a utilitarian, he *cannot* quarrel with the ethical nature of their chosen goals, for, as a utilitarian, he must confine himself to the *one* value judgment that he favors the majority achieving their chosen goals. The only reply that Mises can

22. See Murray N. Rothbard, *Power and Market*, 2nd ed. (Kansas City: Sheed Andrews and McMeel, 1977), pp. 262–66.

make within his own framework is to point out that government intervention has a cumulative effect, that eventually the economy must move either toward the free market or toward full socialism, which praxeology shows will bring chaos and drastic impoverishment, at least to an industrial society. But this, too, is not a fully satisfactory answer. While many or most programs of statist intervention—especially price controls—are indeed cumulative, others are not. Furthermore, the cumulative impact takes such a long time that the time-preferences of the majority might well lead them, in full acknowledgment of the consequences, to ignore the effect. And then what?

Mises attempted to use the cumulative argument to answer the contention that the majority of the public prefer egalitarian measures even knowingly at the expense of a portion of their own wealth. Mises's comment was that the "reserve fund" was on the point of being exhausted in Europe, and therefore that any further egalitarian measures would have to come directly out of the pockets of the masses through increased taxation. Mises assumed that once this became clear, the masses would no longer support interventionist measures.²³ But, in the first place, this is not a strong argument against the *previous* egalitarian measures, nor in favor of their repeal. But secondly, while the masses *might well* be convinced, there is certainly no apodictic certainty involved; and the masses have certainly in the past, and presumably will in the future continue knowingly to support egalitarian and other statist measures on behalf of others of their goals, despite the knowledge that their income and wealth would be reduced.

Thus, Dean Rappard pointed out in his thoughtful critique of Mises's position:

Does the British voter, for instance, favor confiscatory taxation of large incomes primarily in the hope that it will redound to his material advantage, or in the certainty that it tends to reduce unwelcome and irritating social inequalities? In general, is the urge towards equality in our modern democracies not often stronger than the desire to improve one's material lot?

And, on his own country, Switzerland, Dean Rappard pointed out that the urban industrial and commercial majority of the country have repeatedly, and often at popular referenda, endorsed measures to subsidize the minority of farmers in a deliberate effort to retard industrialization and the growth of their own incomes.

23. Thus, see Mises, *Human Action*, pp. 851ff.

Rappard noted that the urban majority did not do so in the "absurd belief that they were thereby increasing their real income." Instead, quite deliberately and expressly, political parties have sacrificed the immediate material welfare of their members in order to prevent, or at least somewhat to retard, the complete industrialization of the country. A more agricultural Switzerland, though poorer, such is the dominant wish of the Swiss people today.²⁴

The point here is that Mises, not only as a praxeologist but even as a utilitarian liberal, can have no word of criticism against these statist measures *once* the majority of the public have taken their praxeological consequences into account and chosen them anyway on behalf of goals other than wealth and prosperity.

Furthermore, there are other types of statist intervention which clearly have little or no cumulative effect, and which may even have very little effect in diminishing production or prosperity. Let us for example assume again—and this assumption is not very farfetched in view of the record of human history—that the great majority of a society hate and revile redheads. Let us further assume that there are very few redheads in the society. This large majority then decides that it would like very much to murder all redheads. Here they are; the murder of redheads is high on the value-scales of the great majority of the public; there are few redheads so that there will be little loss in production on the market. How can Mises rebut this proposed policy either as a praxeologist or as a utilitarian liberal? I submit that he cannot do so.

Mises makes one further attempt to establish his position, but it is even less successful. Criticizing the arguments for state intervention on behalf of equality or other moral concerns, he dismisses them as "emotional talk." After reaffirming that "praxeology and economics . . . are neutral with regard to any moral precepts," and asserting that "the fact that the immense majority of men prefer a richer supply of material goods to a less ample supply is a datum of history; it does not have any place in economic theory," he concludes by insisting that "he who disagrees with the teachings of economics ought to refute them by discursive reasoning, not by . . . the appeal to arbitrary, allegedly ethical standards."²⁵

But I submit that this will not do. For Mises must concede that no one can decide upon *any* policy whatever unless he makes an ultimate

24. Rappard, "On Reading von Mises," pp. 32–33.

25. Ludwig von Mises, "Epistemological Relativism in the Sciences of Human Action," in H. Schoeck and J.W. Wiggins, eds., *Relativism and the Study of Man* (Princeton, N.J.: D. van Nostrand, 1961), p. 133.

ethical or value judgment. But since this is so, and since according to Mises *all* ultimate value judgments or ethical standards are arbitrary, how then can he denounce *these particular* ethical judgments as “arbitrary”? Furthermore, it is hardly correct for Mises to dismiss these judgments as “emotional,” since for him as a utilitarian, reason cannot establish ultimate ethical principles; which can therefore only be established by subjective emotions. It is pointless for Mises to call for his critics to use “discursive reasoning,” since he himself denies that discursive reasoning can ever be used to establish ultimate ethical values. Furthermore, the man whose ultimate ethical principles would lead him to support the free market should *also* be dismissed by Mises as equally “arbitrary” and “emotional,” even if he has taken the laws of praxeology into account before making his ultimately ethical decision. And we have seen above that the majority of the public very often has other goals which they hold, at least to a certain extent, higher than their own material well-being.

Thus, while praxeological economic theory is extremely useful for providing data and knowledge for framing economic policy, it cannot be sufficient by itself to enable the economist to make any value pronouncements or to advocate any public policy whatsoever. More specifically, Ludwig von Mises to the contrary notwithstanding, neither praxeological economics *nor* Mises’s utilitarian liberalism is sufficient to make the case for *laissez faire* and the free-market economy. To make such a case, one must go beyond economics and utilitarianism to establish an objective ethics which affirms the overriding value of liberty, and morally condemns all forms of statism, from egalitarianism to “the murder of redheads,” as well as such goals as the lust for power and the satisfaction of envy. To make the full case for liberty, one cannot be a methodological slave to every goal that the majority of the public might happen to cherish.

27. Isaiah Berlin on Negative Freedom

One of the best-known and most influential present-day treatments of liberty is that of Sir Isaiah Berlin. In his *Two Concepts of Liberty*, Berlin upheld the concept of “negative liberty”—absence of interference with a person’s sphere of action—as against “positive liberty,” which refers not to liberty at all but to an individual’s effective power or mastery over himself or his environment. Superficially, Berlin’s concept of negative liberty seems similar to the thesis of the present volume: that liberty is the absence of physically coercive interference or invasion of an individual’s person and property. Unfortunately, however, the vagueness of Berlin’s concepts led to confusion and to the absence of a systematic and valid libertarian creed.

One of Berlin’s fallacies and confusions he himself recognized in a later essay and edition of his original volume. In his *Two Concepts of Liberty*, he had written that “I am normally said to be free to the degree to which no human being interferes with my activity. Political liberty in this sense is simply the area within which a man can do what he wants.”¹ Or, as Berlin later phrased it, “In the original version of *Two Concepts of Liberty* I speak of liberty as the absence of obstacles to the fulfillment of a man’s desires.”² But, as he later realized, one grave problem with this formulation is that a man can be held to be “free” in proportion as his wants and desires are extinguished, for example by external conditioning. As Berlin states in his corrective essay,

If degrees of freedom were a function of the satisfaction of desires, I could increase freedom as effectively by eliminating desires as by satisfying them; I could render men (including myself) free by conditioning them into losing the original desires which I have decided not to satisfy.³

1. Isaiah Berlin, *Two Concepts of Liberty* (Oxford: Oxford University Press, 1958), p. 7.

2. Isaiah Berlin, “Introduction,” *Four Essays on Liberty* (Oxford: Oxford University Press, 1969), p. xxxviii.

3. *Ibid.*, p. xxxviii. Also see William A. Parent, “Some Recent Work on the Concept of Liberty,” *American Philosophical Quarterly* (July 1974): 149–53. Professor Parent adds the criticism that Berlin neglects the cases in which men act in ways which they do not “truly” want or desire, so that Berlin would have to concede that a man’s freedom is not abridged if he is forcibly prevented from doing something he “dislikes.” Berlin may be salvaged on this point however, if we interpret “want” or “desire” in the formal sense of a person’s

In his later (1969) version, Berlin has expunged the offending passage, altering the first statement above to read: "Political liberty in this sense is simply the area within which a man can act unobstructed by others."⁴ But grave problems still remain with Berlin's later approach. For Berlin now explains that what he means by freedom is "the absence of obstacles to possible choices and activities," obstacles, that is, put there by "alterable human practices."⁵ But this comes close, as Professor Parent observes, to confusing "freedom" with "opportunity," in short to scuttling Berlin's own concept of negative freedom and replacing it with the illegitimate concept of "positive freedom." Thus, as Parent indicates, suppose that X refuses to hire Y because Y is a redhead and X dislikes redheads; X is surely reducing Y's range of opportunity, but he can scarcely be said to be invading Y's "freedom."⁶ Indeed, Parent goes on to point out a repeated confusion in the later Berlin of freedom with opportunity; thus Berlin writes that "the freedom of which I speak is opportunity for action" (xlii), and identifies increases in liberty with the "maximization of opportunities" (xlvi). As Parent points out, "The terms 'liberty' and 'opportunity' have distinct meanings"; someone, for example, may lack the *opportunity* to buy a ticket to a concert for numerous reasons (e.g., he is too busy) and yet he was still in any meaningful sense "free" to buy such a ticket.⁷

Thus, Berlin's fundamental flaw was his failure to define negative liberty as the absence of physical interference with an individual's person and property, with his *just property rights* broadly defined. Failing to hit on this definition, Berlin fell into confusion, and ended by virtually abandoning the very negative liberty he had tried to establish and to fall, willy-nilly, into the "positive liberty" camp. More than that, Berlin, stung by his critics with the charge of upholding laissez-faire, was moved into frenetic and self-contradictory assaults on laissez-faire as somehow injurious to negative liberty. For example, Berlin writes that the "evils of unrestricted laissez faire . . . led to brutal violations of 'negative' liberty . . . including that of free expression or association." Since laissez faire precisely

freely chosen goal, rather than in the sense of something he emotionally or hedonistically "likes" or enjoys doing or achieving. *Ibid.*, pp. 150–52.

4. Berlin, *Four Essays on Liberty*, p. 122.

5. *Ibid.*, pp. xxxix–xl.

6. Furthermore, if one were to prohibit X from refusing to hire Y because the latter is a redhead, then X has had an obstacle imposed upon his action by an alterable human practice. On Berlin's revised definition of liberty, therefore, the *removing* of obstacles cannot increase liberty, for it can only benefit some people's liberty at the expense of others. I am indebted to Dr. David Gordon for this point.

7. Parent, "Some Recent Work," pp. 152–53.

means full freedom of person and property, including of course free expression and association as a subset of private property rights, Berlin has here fallen into absurdity. And in a similar canard, Berlin writes of

the fate of personal liberty during the reign of unfettered economic individualism—about the condition of the injured majority, principally in the towns, whose children were destroyed in mines or mills, while their parents lived in poverty, disease, and ignorance, a situation in which the enjoyment by the poor and the weak of legal rights . . . became an odious mockery.⁸

Unsurprisingly, Berlin goes on to attack such pure and consistent laissez-faire libertarians as Cobden and Spencer on behalf of such confused and inconsistent classical liberals as Mill and de Tocqueville.

There are several grave and basic problems with Berlin's fulminations. One is a complete ignorance of the modern historians of the Industrial Revolution, such as Ashton, Hayek, Hutt, and Hartwell, who have demonstrated that the new industry alleviated the previous poverty and starvation of the workers, including the child laborers, rather than the contrary.⁹ But on a conceptual level, there are grave problems as well. First, that it is absurd and self-contradictory to assert that laissez-faire or economic individualism could have injured personal *liberty*; and, second, that Berlin is really explicitly scuttling the very concept of "negative" liberty on behalf of concepts of positive power or wealth.

Berlin reaches the height (or depth) of this approach when he attacks negative liberty directly for having been

used to . . . arm the strong, the brutal, and the unscrupulous against the humane and the weak. . . . Freedom for the wolves has often meant death to the sheep. The bloodstained story of economic individualism and unrestrained capitalist competition does not . . . today need stressing.¹⁰

The crucial fallacy of Berlin here is insistently to identify freedom and the free market economy with its opposite—with coercive aggression. Note his repeated use of such terms as "arm," "brutal," "wolves and sheep," and "bloodstained," all of which are applicable *only* to coercive

8. Berlin, *Four Essays on Liberty*, pp. xlv–xlvi.

9. See F.A. Hayek, ed., *Capitalism and the Historians* (Chicago: University of Chicago Press, 1954); and R.M. Hartwell, *The Industrial Revolution and Economic Growth* (London: Methuen, 1971).

10. Berlin, *Four Essays on Liberty*, p. xlv.

aggression such as has been universally employed by the *State*. Also, he then identifies such aggression with its opposite—the peaceful and voluntary processes of free exchange in the market economy. Unrestrained economic individualism led, on the contrary, to peaceful and harmonious exchange, which benefitted most precisely the “weak” and the “sheep”; it is the latter who could *not* survive in the statist rule of the jungle, who reap the largest share of the benefits from the freely competitive economy. Even a slight acquaintance with economic science, and particularly with the Ricardian Law of Comparative Advantage, would have set Sir Isaiah straight on this vital point.¹¹

11. See also Murray N. Rothbard, “Back to the Jungle?” in *Power and Market*, 2nd ed. (Kansas City: Sheed Andrews and McMeel, 1977), pp. 226–28.

28. F.A. Hayek and The Concept of Coercion¹

In his monumental work *The Constitution of Liberty*, F.A. Hayek attempts to establish a systematic political philosophy on behalf of individual liberty.² He begins very well, by defining freedom as the absence of coercion, thus upholding “negative liberty” more cogently than does Isaiah Berlin. Unfortunately, the fundamental and grievous flaw in Hayek’s system appears when he proceeds to define “coercion.” For instead of defining coercion as is done in the present volume, as the invasive use of physical violence or the threat thereof against someone else’s person or (just) property, Hayek defines coercion far more fuzzily and inchoately: e.g., as “control of the environment or circumstances of a person by another (so) that, in order to avoid greater evil, he is forced to act not according to a coherent plan of his own but to serve the ends of another”; and again: “Coercion occurs when one man’s actions are made to serve another man’s will, not for his own but for the other’s purpose.”³

For Hayek, “coercion” of course includes the aggressive use of physical violence, but the term unfortunately *also* includes peaceful and non-aggressive actions as well. Thus, Hayek states that “the threat of force or violence is the most important form of coercion. But they are not synonymous with coercion, for the threat of physical force is not the only way in which coercion can be exercised.”⁴

What, then, are the other, nonviolent “ways” in which Hayek believes coercion can be exercised? One is such purely voluntary ways of interacting as “a morose husband” or “a nagging wife,” who can make someone else’s “life intolerable unless their every mood is obeyed.” Here Hayek concedes that it would be absurd to advocate legal outlawry of sulkiness or nagging; but he does so on the faulty grounds that such outlawry would involve “even greater coercion.” But “coercion” is not really an additive quantity; how can we quantitatively compare different “degrees” of coercion, especially when they involve comparisons among different people? Is there no fundamental qualitative difference, a difference in *kind*, between a nagging wife and using the apparatus of physical violence to outlaw or restrict such nagging? It seems clear that the fundamental problem

1. A version of this section appeared in the 1980 issue of *Ordo* (Stuttgart).

2. F.A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960).

3. *Ibid.*, pp. 20–21, 133.

4. *Ibid.*, p. 135.

is Hayek's use of "coercion" as a portmanteau term to include, not only physical violence but *also* voluntary, nonviolent, and non-invasive actions such as nagging. The point, of course, is that the wife or husband is free to leave the offending partner, and that staying together is a voluntary choice on his or her part. Nagging might be morally or aesthetically unfortunate, but it is scarcely "coercive" in any sense similar to the use of physical violence.

Only confusion can be caused by lumping the two types of action together.

But not only confusion but also self-contradiction, for Hayek includes in the concept of "coercion" not only invasive physical violence, i.e. a compulsory action or exchange, but also certain forms of peaceful, voluntary *refusal* to make exchanges. Surely, the freedom to make an exchange *necessarily implies* the equivalent freedom *not* to make an exchange. Yet, Hayek dubs certain forms of peaceful refusal to make an exchange as "coercive," thus lumping them together with compulsory exchanges. Specifically, Hayek states that

there are, undeniably, occasions when the condition of employment creates opportunity for true coercion. In periods of acute unemployment the threat of dismissal may be used to enforce actions other than those originally contracted for. And in conditions such as those in a mining town the manager may well exercise an entirely arbitrary and capricious tyranny over a man to whom he has taken a dislike.⁵

Yet, "dismissal" is simply a refusal by the capital-owning employer to make any further exchanges with one or more people. An employer may refuse to make such exchanges for many reasons, and there are none but subjective criteria to enable Hayek to use the term "arbitrary." Why is one reason any more "arbitrary" than another? If Hayek means to imply that any reasons other than maximizing monetary profit are "arbitrary," then he ignores the Austrian School insight that people, even in business, act to maximize their "psychic" rather than monetary profit, and that such psychic profit may include all sorts of values, none of which is more or less arbitrary than another. Furthermore, Hayek here seems to be implying that employees have some sort of "right" to continuing employment, a "right" which is in overt contradiction to the property rights of employers to their own money. Hayek concedes that dismissal is ordinarily not "coercive"; why then, in conditions of "acute unemployment"

5. *Ibid.*, pp. 136-37.

(surely, in any case, not of the employer's making), or of the mining town? Again, miners have moved voluntarily to the mining town and are free to leave whenever they like.

Hayek commits a similar error when he deals with the refusal to exchange made by a "monopolist" (the single owner of a resource). He admits that "if . . . I would very much like to be painted by a famous artist and if he refused to paint me for less than a very high fee [or at all?], it would clearly be absurd to say that I am coerced." Yet he *does* apply the concept of coercion to a case where a monopolist owns water in an oasis. Suppose, he says, that people had "settled there on the assumption that water would always be available at a reasonable price," that then other water sources had dried up, and that people then "had no choice but to do whatever the owner of the spring demanded of them if they were to survive: here would be a clear case of coercion,"⁶ since the good or service in question is "crucial to [their] existence." Yet, since the owner of the spring did not aggressively poison the competing springs, the owner is scarcely being "coercive"; in fact, he is supplying a vital service, and should have the right either to refuse a sale or to charge whatever the customers will pay. The situation may well be unfortunate for the customers, as are many situations in life, but the supplier of a particularly scarce and vital service is hardly being "coercive" by either refusing to sell or by setting a price that the buyers are willing to pay. Both actions are within his rights as a free man and as a just property owner. The owner of the oasis is responsible only for the existence of his own actions and his own property; he is not accountable for the existence of the desert or for the fact that the other springs have dried up.⁷

6. Hayek, *The Constitution of Liberty*, p. 136.

7. Furthermore, as Professor Ronald Hamowy points out in a brilliant critique of Hayek's concept of coercion, and of the "rule of law,"

we are faced with what appears to be an insurmountable problem—what constitutes a "reasonable" price? By "reasonable" Hayek might mean "competitive." But how is it possible to determine what the competitive price is in the absence of competition? Economics cannot predict the cardinal magnitude of any market price in the absence of a market. What, then, can we assume to be a "reasonable" price, or, more to the point, at what price does the contract alter its nature and become an instance of "coercion"? Is it at one cent a gallon, at one dollar a gallon, at ten dollars a gallon? What if the owner of the spring demands nothing more than the friendship of the settlers? Is such a "price" coercive? By what principle can we decide when the agreement is a simple contractual one and when it is not?

Moreover, as Hamowy states,

we must face yet a further difficulty. Is the owner acting coercively if he refuses to sell his water at *any* price? Suppose that he looks upon his spring as sacred and its water as

Let us postulate another situation. Suppose that there is only one physician in a community, and an epidemic breaks out; only *he* can save the lives of numerous fellow-citizens—an action surely crucial to their existence. Is he “coercing” them if (a) he refuses to do anything, or leaves town; or (b) if he charges a very high price for his curative services? Certainly not. There is, for one thing, nothing wrong with a man charging the value of his services to his customers, i.e., what they are willing to pay. He further has every right to refuse to do anything. While he may perhaps be criticized morally or aesthetically, as a self-owner of his own body he has every right to refuse to cure or to do so at a high price; to say that he is being “coercive” is furthermore to imply that it is proper and *not* coercive for his customers or their agents to *force* the physician to treat them: in short, to justify his enslavement. But surely enslavement, compulsory labor, must be considered “coercive” in any sensible meaning of the term.

All this highlights the gravely self-contradictory nature of including a forced activity or exchange in the same rubric of “coercion” with someone’s peaceful *refusal to* make an exchange.

As I have written elsewhere:

A well-known type of “private coercion” is the vague but ominous sounding “economic power.” A favorite illustration of the wielding of such “power” is the case of a worker fired from his job. . . .

Let us look at this situation closely. What exactly has the employer done? He has refused to continue to make a certain exchange which the worker preferred to continue making. Specifically, A, the employer, refuses to sell a certain sum of money in exchange for the purchase of B’s labor services. B would like to make a certain exchange; A would not. The same principle may apply to all the exchanges throughout the length and breadth of the economy. . . .

holy. To offer the water to the settlers would contravene his deepest religious sentiments. Here is a situation which would not fall under Hayek’s definition of coercion, since the owner of the spring forces *no* action on the settlers. Yet it would appear that, within Hayek’s own framework, this is a far worse situation, since the only “choice” left open to the settlers now is dying of thirst.

Ronald Hamowy, “Freedom and the Rule of Law in F.A. Hayek,” *Il Politico* (1971–72): 355–56. Also see Hamowy, “Hayek’s Concept of Freedom: A Critique,” *New Individualist Review* (April 1961): 28–31.

For the latest work on this subject, see Hamowy, “Law and the Liberal Society: F.A. Hayek’s Constitution of Liberty,” *Journal of Libertarian Studies* 2 (Winter 1978): 287–97; and John N. Gray, “F.A. Hayek on Liberty and Tradition,” *Journal of Libertarian Studies* 4 (Fall 1980).

“Economic power,” then, is simply the right under freedom to refuse to make an exchange. Every man has this power. Every man has the same right to make a proffered exchange.

Now, it should become evident that the “middle-of-the-road” statist, who concedes the evil of violence but adds that the violence of government is sometimes necessary to counteract the “private coercion of economic power,” is caught in an impossible contradiction. A refuses to make an exchange with B. What are we to say, or what is the government to do, if B brandishes a gun and orders A to make the exchange? This is the crucial question. There are only two positions we may take on the matter: either that B is committing violence and should be stopped at once, or that B is perfectly justified in taking this step because he is simply “counteracting the subtle coercion” of economic power wielded by A. Either the defense agency must rush to the defense of A, or it deliberately refuses to do so, perhaps aiding B (or doing B’s work for him). There is no middle ground!

B is committing violence; there is no question about that. In the terms of both doctrines (the libertarian and the “economic power” arguments), this violence is either invasive and therefore unjust, or defensive and therefore just. If we adopt the “economic power” argument, we must choose the latter position; if we reject it, we must adopt the former. If we choose the “economic-power” concept, we must employ violence to combat any refusal of exchange; if we reject it, we employ violence to prevent any violent imposition of exchange. There is no way to escape this either-or choice. The “middle-of-the-road” statist cannot logically say that there are “many forms” of unjustified coercion. He must choose one or the other and take his stand accordingly. Either he must say that there is only one form of illegal coercion—overt physical violence—or he must say that there is only one form of illegal coercion—refusal to exchange.⁸

And outlawing the refusal to work is, of course, a society of general slavery. Let us consider another example that Hayek quickly dismisses as *noncoercive*: “If a hostess will invite me to her parties only if I conform to certain standards of conduct and dress . . . this is certainly not coercion.”⁹ Yet, as Professor Hamowy has shown, this case may well be considered “coercion” on Hayek’s own criteria. For,

8. Murray N. Rothbard, *Power and Market*, 2nd ed. (Kansas City: Sheed Andrews and McMeel, 1977), pp. 228–30.

9. Hayek, *The Constitution of Liberty*, pp. 136–37.

it might be that I am a very socially conscious person and that my not attending this party would greatly endanger my social standing. Further, my dinner jacket is at the cleaners and will not be ready for a week . . . yet the party is tomorrow. Under these conditions could it be said that my host's action in demanding my wearing formal attire as the price of access to his home is, in fact, a coercive one, inasmuch as it clearly threatens the preservation of one of the things I most value, my social prestige?

Furthermore, Hamowy points out that if the host should demand, as a price of invitation to the party, "that I wash all the silver and china used at the party," Hayek would even more clearly have to call such a voluntary contract "coercive" on his own criteria.¹⁰

In attempting to rebut Hamowy's trenchant critique, Hayek later added that "to constitute coercion it is also necessary that the action of the coercer should put the coerced in a position which he regards as worse than that in which he would have been without that action."¹¹ But, as Hamowy points out in reply, this does not salvage Hayek's inconsistent refusal to adopt the patent absurdity of calling a conditional invitation to a party "coercive." For,

the case just described seems to meet this condition as well; for while it is true that, in a sense, my would-be host has widened my range of alternatives by the invitation, the *whole* situation (which must include my inability to acquire formal attire and my consequent frustration) is worse from my point of view than the situation which had obtained before the invitation, certainly worse than had existed before my would-be host had decided to have a party at that particular time.¹²

Thus, Hayek, and the rest of us, are duty-bound to do one of two things: either to confine the concept of "coercion" strictly to the invasion of another's person or property by the use or threat of physical violence; or to scrap the term "coercion" altogether, and simply define "freedom" not as the "absence of coercion" but as the "absence of aggressive physical violence or the threat thereof." Hayek indeed concedes that "coercion can be so defined as to make it an all-pervasive and unavoidable phenomenon."¹³

10. Hamowy, "Freedom and the Rule of Law," pp. 353-54.

11. F.A. Hayek, "Freedom and Coercion: Some Comments on a Critique by Mr. Ronald Hamowy," *Studies in Philosophy, Politics, and Economics* (Chicago: University of Chicago Press, 1967), p. 349.

12. Hamowy, "Freedom and the Rule of Law," p. 354n.

13. Hayek, *The Constitution of Liberty*, p. 139.

Unfortunately, his middle-of-the-road failure to confine coercion strictly to violence pervasively flaws his entire system of political philosophy. He cannot salvage that system by attempting to distinguish, merely quantitatively, between "mild" and "more severe" forms of coercion.

Another fundamental fallacy of Hayek's system is not only his defining coercion beyond the sphere of physical violence, but also in failing to distinguish between "aggressive" and "defensive" coercion or violence. There is all the world of distinction in kind between aggressive violence—assault or theft—against another, and the use of violence to defend oneself and one's property against such aggression. Aggressive violence is criminal and unjust; defensive violence is perfectly just and proper; the former invades the rights of person and property, the latter defends against such invasion. Yet Hayek again fails to make this crucial qualitative distinction. For him, there are only relative degrees, or quantities, of "coercion." Thus, Hayek states that "coercion, however, cannot be altogether avoided because the only way to prevent it is by the threat of coercion."¹⁴ From this, he goes on to compound the error by adding that "free society has met this problem by conferring the monopoly of coercion on the state and by attempting to limit this power of the state to instances where it is required to prevent coercion by private persons."¹⁵ Yet, we are not here comparing varying degrees of an undifferentiated lump we can call "coercion" (even if we define this as "physical violence"). For we *can* avoid *aggressive* violence completely by preventing it through purchasing the services of defense agencies, agencies which are empowered to use only *defensive* violence. We are not helpless in the throes of "coercion" if we define such coercion only as *aggressive* violence (or, alternatively, if we abandon the term "coercion" altogether, and keep the distinction between aggressive and defensive violence).

Hayek's crucial second sentence in the above paragraph compounds his error many times further. In the first place, in any and all historical cases, "free society" did not "confer" any monopoly of coercion on the State; there has never been any form of voluntary "social contract." In all historical cases, the State has seized, by the use of aggressive violence and conquest, such a monopoly of violence in society. And further, what

14. *Ibid.*, p. 21. One fallacy of Hayek here is in holding that if unjust coercion is wrong, then it should be minimized. Instead, being immoral and criminal, unjust coercion should be prohibited altogether. That is, the point is not to minimize a certain quantity (unjust coercion) by any means possible, including new acts of unjust coercion; the point is to impose a rigorous side-constraint on all action. For this distinction, see Robert Nozick, "Moral Complications and Moral Structures," *Natural Law Forum* (1968): 1ff.

15. Hayek, *The Constitution of Liberty*, p. 21.

the State has is not so much a monopoly of "coercion" as of *aggressive* (as well as defensive) violence, and that monopoly is established and maintained by systematically employing two particular forms of aggressive violence: taxation for the acquisition of State income, and the compulsory outlawry of competing agencies of defensive violence within the State's acquired territorial area. Therefore, since liberty requires the elimination of aggressive violence in society (while maintaining defensive violence against possible invaders), the State is not, and can never be, justified as a defender of liberty. For the State lives by its very existence on the two-fold and pervasive employment of aggressive violence against the very liberty and property of individuals that it is *supposed* to be defending. The State is qualitatively unjustified and unjustifiable.

Thus, Hayek's justification of the existence of the State, as well as its employment of taxation and other measures of aggressive violence, rests upon his untenable obliteration of the distinction between aggressive and defensive violence, and his lumping of all violent actions into the single rubric of varying degrees of "coercion." But this is not all. For, in the course of working out his defense of the State and State action, Hayek not only widens the concept of coercion beyond physical violence; he *also* unduly narrows the concept of coercion to *exclude* certain forms of aggressive physical violence. In order to "limit" State coercion (i.e., to justify State action *within* such limits), Hayek asserts that coercion is either minimized or even does *not* exist if the violence-supported edicts are not personal and arbitrary, but are in the form of general, universal rules, knowable to all in advance (the "rule of law"). Thus, Hayek states that

The coercion which a government must still use . . . is reduced to a minimum and made as innocuous as possible by restraining it through known general rules, so that in most instances the individual need never be coerced unless he has placed himself in a position where he knows he will be coerced. Even where coercion is not avoidable, it is deprived of its most harmful effects by being confined to limited and foreseeable duties, or at least made independent of the arbitrary will of another person. Being made impersonal and dependent upon general, abstract rules, whose effect on particular individuals cannot be foreseen at the time they are laid down, even the coercive acts of government become data on which the individual can base his own plans.¹⁶

Hayek's avoidability criterion for allegedly "noncoercive" though violent actions is put baldly as follows:

16. *Ibid.*, p. 21.

Provided that I know beforehand that if I place myself in a particular position, I shall be coerced and provided that I can avoid putting myself in such a position, I need never be coerced. At least insofar as the rules providing for coercion are not aimed at me personally but are so framed as to apply equally to all people in similar circumstances, they are no different from any of the natural obstacles that affect my plans.¹⁷

But, as Professor Hamowy trenchantly points out:

It follows from this that if Mr. X warns me that he is going to kill me if I buy anything from Mr. Y, and if the products available from Mr. Y are also available elsewhere (probably from Mr. X), such action on the part of Mr. X is noncoercive!

For purchasing from Mr. Y is "avoidable." Hamowy continues:

Avoidability of the action is sufficient, according to this criterion, to set up a situation theoretically identical to one in which a threat does not occur at all. The threatened party is no *less* free than he was before the threat was made, if he can avoid the threatener's action. According to the logical structure of this argument, "threatening coercion" is not a coercive act. Thus, if I know in advance that I will be attacked by hoodlums if I enter a certain neighborhood, and if I can avoid that neighborhood, then I need never be coerced by the hoodlums . . . Hence, one could regard the hoodlum-infested neighborhood . . . in the same way as a plague-infested swamp, both avoidable obstacles, neither personally aimed at me . . .

—and hence, for Hayek, not "coercive."¹⁸

Thus, Hayek's avoidability criterion for non-coercion leads to a patently absurd weakening of the concept of "coercion," and the inclusion of aggressive and patently coercive actions under a benign, noncoercive rubric. And yet, Hayek is even willing to scuttle his own weak avoidability limitation on government; for he concedes that taxation and conscription, for example, are not, and are not supposed to be, "avoidable." But these too become "noncoercive" because:

17. *Ibid.*, p. 142.

18. Hamowy, "Freedom and the Rule of Law," pp. 356–57, 356n. Indeed, in *The Constitution of Liberty*, p. 142, Hayek explicitly states that

this threat of coercion has a very different effect from that of actual and unavoidable coercion, if it refers only to known circumstances which can be avoided by the potential object of coercion. The great majority of the threats of coercion that a free society must employ are of this avoidable kind.

they are at least predictable and enforced irrespective of how the individual would otherwise employ his energies; this deprives them largely of the evil nature of coercion. If the known necessity of paying a certain amount in taxes becomes the basis of all my plans, if a period of military service is a foreseeable part of my career, then I can follow a general plan of life of my own making and am as independent of the will of another person as men have learned to be in society.¹⁹

The absurdity of relying on general, universal ("equally applicable"), predictable rules as a criterion, or as a defense, for individual liberty has rarely been more starkly revealed.²⁰ For this means that, e.g., if there is a general governmental rule that *every* person shall be enslaved one year out of every three, then such universal slavery is not at all "coercive." In what sense, then, are Hayekian general rules superior or more libertarian than *any conceivable* case of rule by arbitrary whim? Let us postulate, for example, two possible societies. One is ruled by a vast network of Hayekian general rules, equally applicable to all, e.g., such rules as: everyone is to be enslaved every third year; no one may criticize the government under penalty of death; no one may drink alcoholic beverages; everyone must bow down to Mecca three times a day at specified hours; everyone must wear a specified green uniform, etc. It is clear that such a society, though meeting all the Hayekian criteria for a noncoercive rule of law, is thoroughly despotic and totalitarian. Let us postulate, in contrast, a second society which is totally free, where every person is free to employ his person and property, make exchanges, etc. as he sees fit, *except* that, once a year, the monarch (who does literally nothing the rest of the year), commits one arbitrary invasive act against one individual that he selects.

As Professor Watkins points out, on Hayek's avoidability criterion for "noncoercion," a person may be confronted by a

"general abstract rule, equally applicable to all" which forbids foreign travel; and suppose he has an ailing father abroad whom he wants to visit before he dies. On Hayek's argument, there is no coercion or loss of freedom here. This agent is not subject to anyone's will. He is just confronted by the fact that if he tries to go abroad he will be apprehended and punished.

J.W.N. Watkins, "Philosophy," in A. Seldon, ed., *Agenda for a Free Society: Essays on Hayek's The Constitution of Liberty* (London: Institute for Economic Affairs, 1961), pp. 39–40.

19. Hayek, *The Constitution of Liberty*, p. 143.

20. On the problem of the universal rule changing as more and more types of specific circumstances are added to the rule, see G.E.M. Anscombe, "Modern Moral Philosophy," *Philosophy* 33 (1958): 2.

Which society is to be considered more free, more libertarian?²¹

Thus, we see that Hayek's *Constitution of Liberty* can in no sense provide the criteria or the groundwork for a system of individual liberty. In addition to the deeply flawed definitions of "coercion," a fundamental flaw in Hayek's theory of individual rights, as Hamowy points out, is that they do not stem from a moral theory or from "some independent nongovernmental social arrangement," but instead flow from government itself. For Hayek, government—and its rule—of law *creates* rights, rather than ratifies or defends them.²² It is no wonder that, in the course of his book, Hayek comes to endorse a long list of government actions clearly invasive of the rights and liberties of the individual citizens.²³

21. For a thorough critique of the generality, equal applicability, and predictability criteria of Hayek's rule of law, as well as of Hayek's admitted departures from his own criteria, see Hamowy, "Freedom and the Rule of Law," pp. 359–76. This includes Bruno Leoni's fundamental criticism that given the existence (which Hayek accepts) of a legislature changing laws daily, no given law can be more than predictable or "certain" at any given moment; there is no certainty *over time*. See Bruno Leoni, *Freedom and the Law* (Princeton, N.J.: D. Van Nostrand, 1961), p. 76.

22. See Hamowy, "Freedom and the Rule of Law," p. 358.

23. In his more recent treatise, Hayek does not deal with the problem of coercion or freedom. He does, however, try in passing to meet the criticism of Hamowy and others by amending his concept of general and certain rules to exempt solitary actions and acts that are not "toward others." While the problem of religious rules might then be avoided, most of the problems in the above discussion *do* involve interpersonal actions and therefore continue to prevent Hayek's rule of law from being a satisfactory bulwark of individual liberty. F.A. Hayek, *Law, Legislation, and Liberty*, vol. 1 (Chicago: University of Chicago Press, 1973), pp. 101–2, 170n. In general, the new Hayek volume is a welcome retreat from Hayek's previous reliance on legislation and a turn toward the processes of judge-found common law; however, the analysis is greatly marred by a predominant emphasis on the purpose of law as "fulfilling expectations," which still concentrates on social ends rather than on the justice of property rights. Relevant here is the discussion above of the "title-transfer" theory vs. the expectations theory of contracts; see pp. 133–48 above.

29. Robert Nozick and the Immaculate Conception of the State¹

Robert Nozick's *Anarchy, State, and Utopia*² is an "invisible hand" variant of a Lockean contractarian attempt to justify the State, or at least a minimal State confined to the functions of protection. Beginning with a free-market anarchist state of nature, Nozick portrays the State as emerging, by an invisible hand process that violates no one's rights, first as a dominant protective agency, then to an "ultraminimal state," and then finally to a minimal state.

Before embarking on a detailed critique of the various Nozickian stages, let us consider several grave fallacies in Nozick's conception itself, *each of which* would in itself be sufficient to refute his attempt to justify the State.³ First, despite Nozick's attempt⁴ to cover his tracks, it is highly relevant to see whether Nozick's ingenious logical construction has ever indeed occurred in historical reality: namely, whether any State, or most or all States, have *in fact* evolved in the Nozickian manner. It is a grave defect in itself, when discussing an institution all too well grounded in historical reality, that Nozick has failed to make a single mention or reference to the history of actual States. In fact, there is no evidence whatsoever that any State was founded or developed in the Nozickian manner. On the contrary, the historical evidence cuts precisely the other way: for every State where the facts are available originated by a process of violence, conquest, and exploitation: in short, in a manner which Nozick himself would have to admit violated individual rights. As Thomas Paine wrote in *Common Sense*, on the origin of kings and of the State:

1. A version of this section appeared in Murray N. Rothbard, "Robert Nozick and the Immaculate Conception of the State," *Journal of Libertarian Studies* 1 (Winter 1977): 45–57.

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

3. For other criticisms of Nozick, see Randy E. Barnett, "Whither Anarchy? Has Robert Nozick Justified the State?" *Journal of Libertarian Studies* 1 (Winter 1977): 15–21; Roy A. Childs, Jr., "The Invisible Hand Strikes Back," *Journal of Libertarian Studies* 1 (Winter 1977): 23–33; John T. Sanders, "The Free Market Model Versus Government: A Reply to Nozick," *Journal of Libertarian Studies* 1 (Winter 1977): 35–44; Jeffrey Paul, "Nozick, Anarchism and Procedural Rights," *Journal of Libertarian Studies* 1, no. 4 (Fall 1977): 337–40; and James Dale Davidson, "Note on *Anarchy, State, and Utopia*," *Journal of Libertarian Studies* 1, no. 4 (Fall 1977): 341–48.

4. Nozick, *Anarchy, State, and Utopia*, pp. 6–9.

could we take off the dark covering of antiquity and trace them to their first rise, we should find the first of them nothing better than the principal ruffian of some restless gang; whose savage manners or preeminence in subtilty obtained him the title of chief among plunderers; and who by increasing in power and extending his depredations, overawed the quiet and defenceless to purchase their safety by frequent contributions.⁵

Note that the “contract” involved in Paine’s account was of the nature of a coerced “protection racket” rather than anything recognizable to the libertarian as a voluntary agreement.

Since Nozick’s justification of existing States—provided they are or become minimal—rests on their alleged immaculate conception, and since no such State exists, then none of them can be justified, *even* if they should later become minimal. To go further, we can say that, *at best*, Nozick’s model can *only* justify a State which indeed did develop by his invisible hand method. Therefore, it is incumbent upon Nozick to join anarchists in calling for the abolition of all existing States, and *then* to sit back and wait for his alleged invisible hand to operate. The only minimal State, then, which Nozick *at best* can justify is one that will develop out of a future anarcho-capitalist society.

Secondly, *even if* an existing State had been immaculately conceived, this would *still* not justify its present existence. A basic fallacy is endemic to all social-contract theories of the State, namely, that any contract based on a promise is binding and enforceable. If, then, *everyone*—in itself of course a heroic assumption—in a state of nature surrendered all or some of his rights to a State, the social-contract theorists consider this promise to be binding forevermore.

A correct theory of contracts, however, termed by Williamson Evers the “title-transfer” theory, states that the only valid (and therefore binding) contract is one that surrenders what is, in fact, philosophically *alienable*, and that *only* specific titles to property are so alienable, so that their ownership can be ceded to someone else. While, on the contrary, *other* attributes of man—specifically, his self-ownership over his own will and body, and the *rights* to person and property which stem from that self-ownership—are “inalienable” and therefore cannot be surrendered in a binding contract. If no one, then, can surrender his own will, his body, or his rights in an enforceable contract, *a fortiori* he cannot surrender the persons or the rights of his posterity. This is what the Founding Fathers

5. *The Complete Writings of Thomas Paine*, P. Foner, ed. (New York: Citadel Press, 1945), vol. 1, p. 13.

meant by the concept of rights as being “inalienable,” or, as George Mason expressed it in his Virginia Declaration of Rights:

[A]ll men are by nature equally free and independent, and have certain inherent natural rights, of which, when they enter into a state of society, they cannot, by any compact, deprive or divest their posterity.⁶

Thus, we have seen (1) that no existing State has been immaculately conceived—quite the contrary; (2) that therefore the only minimal State that could *possibly* be justified is one that would emerge *after* a free-market anarchist world had been established; (3) that therefore Nozick, on his own grounds, should become an anarchist and then wait for the Nozickian invisible hand to operate afterward, and finally (4) that *even if* any State had been founded immaculately, the fallacies of social-contract theory would mean that no present State, even a minimal one, could be justified.

Let us now proceed to examine the Nozickian stages, particularly the alleged necessity as well as the morality of the ways in which the various stages develop out of the preceding ones. Nozick begins by assuming that each anarchist protective agency acts morally and non-aggressively, that is, “attempts in good faith to act within the limits of Locke’s law of nature.”⁷

First, Nozick assumes that each protective agency would require that each of its clients renounce the right of private retaliation against aggression, by refusing to protect them against counter-retaliation.⁸ Perhaps, perhaps not. This would be up to the various protection agencies, acting on the market, and is certainly not self-evident. It is certainly possible, if not probable, that they would be out-competed by other agencies that do not restrict their clients in that way.

6. Reprinted in Robert A. Rutland, *George Mason* (Williamsburg, Va.: Colonial Williamsburg, 1961), p. 111. On the invalidity of the alienability of the human will, see chap. 19, footnote 18 above. The great seventeenth century English Leveller leader Richard Overton wrote:

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 hath a self propriety, else he could not be himself. . . . Mine and thine cannot be, except this be: No man hath power over my rights and liberties and I over no man’s; I may be but an individual, enjoy myself and my self propriety.

Quoted in Sylvester Petro, “Feudalism, Property, and Praxeology,” in S. Blumenfeld, ed., *Property in a Humane Economy* (LaSalle, Ill.: Open Court, 1974), p. 162.

7. Nozick, *Anarchy, State, and Utopia*, p. 17.

8. *Ibid.*, p. 15.

Nozick then proceeds to discuss disputes between clients of different protection agencies. He offers three scenarios on how they might proceed. But two of these scenarios (and part of the third) involve physical battles between the agencies. In the first place, these scenarios contradict Nozick's own assumption of good-faith, nonaggressive behavior *by each of his agencies*, since, in any combat, clearly at least one of the agencies would be committing aggression. Furthermore, economically, it would be absurd to expect the protective agencies to battle each other physically; such warfare would alienate clients and be highly expensive to boot. It is absurd to think that, on the market, protective agencies would fail to agree in advance on private appeals courts or arbitrators whom they would turn to, in order to resolve any dispute. Indeed, a vital part of the protective or judicial service which a private agency or court would offer to its clients would *be* that it had agreements to turn disputes over to a certain appeals court or a certain arbitrator or group of arbitrators.

Let us turn then to Nozick's crucial scenario 3, in which he writes:

the two agencies . . . agree to resolve peacefully those cases about which they reach differing judgments. They agree to set up, and abide by the decisions of, some third judge or court to which they can turn when their respective judgments differ. (Or they might establish rules determining which agency had jurisdiction under which circumstances).⁹

So far so good. But then there comes a giant leap: "Thus emerges a system of appeals courts and agreed upon rules. . . . Though different agencies operate, there is one unified federal judicial system of which they are all components." I submit that the "thus" is totally illegitimate, and that the rest is a *non sequitur*.¹⁰ The fact that every protective agency will have agreements with every other to submit disputes to particular appeals courts or arbitrators does *not* imply "one unified federal judicial system."

On the contrary, there may well be, and probably would be, hundreds, even thousands, of arbitrators or appeals judges who would be selected, and there is no need to consider them part of one "judicial system." There is no need, for example, to envision or to establish one unified Supreme Court to decide upon disputes. Since every dispute has two and only two parties, there need be only one third party, judge or arbitrator; there are in the United States, at the present time, for example, over 23,000

9. *Ibid.*, p. 16

10. For a similar criticism of Nozick, see the review by Hillel Steiner in *Mind* 86 (1977): 120–29.

professional arbitrators, and presumably there would be many thousands more if the present government court system were to be abolished. Each one of these arbitrators could serve an appeals or arbitration function.

Nozick claims that out of anarchy there would inevitably emerge, as by an invisible hand, one *dominant* protection agency in each territorial area, in which "almost all the persons" in that area are included. But we have seen that his major support for that conclusion is totally invalid. Nozick's other arguments for this proposition are equally invalid. He writes, for example, that "unlike other goods that are comparatively evaluated, maximal competing protective services cannot exist."¹¹ Why *cannot*, surely a strong term?

First, because "the nature of the service brings different agencies . . . into violent conflict with each other" rather than just competing for customers. But we have seen that this conflict assumption is incorrect; first, on Nozick's own grounds of each agency acting non-aggressively, and, second, on his own scenario 3, that each will enter into agreements with the others for peaceful settlement of disputes. Nozick's second argument for this contention is that "since the worth of the less-than-maximal product declines disproportionately with the number who purchase the maximal product, customers will not stably settle for the lesser good, and competing companies are caught in a declining spiral." But *why*? Nozick is here making statements about the economics of a protection market which are totally unsupported. *Why* is there such an "economy of scale" in the protection business that Nozick feels will lead inevitably to a near-natural monopoly in each geographical area? This is scarcely self-evident.

On the contrary, all the facts—and here the empirical facts of contemporary and past history are again directly relevant—cut precisely the other way. There are, as was mentioned above, tens of thousands of professional arbitrators in the U.S.; there are also tens of thousands of lawyers and judges, and a large number of private protection agencies that supply night-watchmen, guards, etc. with no sign whatsoever of a geographical natural monopoly in any of these fields. Why then for protection agencies under anarchism?

And, if we look at approximations to anarchist court and protective systems in history, we again see a great deal of evidence of the falsity of Nozick's contention. For hundreds of years, the fairs of Champagne were the major international trade mart in Europe. A number of courts, by merchants, nobles, the Church, etc. competed for customers. Not only did no one dominant agency ever emerge, but they did not even feel the

11. Nozick, *Anarchy, State, and Utopia*, p. 17.

need for appeals courts. For a thousand years, ancient Ireland, until the Cromwellian conquest, enjoyed a system of numerous jurists and schools of jurists, and numerous protection agencies, which competed within geographical areas without any one becoming dominant. After the fall of Rome, various coexisting barbarian tribes peacefully adjudicated their disputes *within* each area, with each tribesman coming under his own law, and with agreed-upon peaceful adjudications between these courts and laws. Furthermore, in these days of modern technology and low-cost transportation and communication, it would be even easier to compete across geographical boundaries; the “Metropolitan,” “Equitable,” “Prudential” protection agencies, for example, could easily maintain branch offices over a large geographical area.

In fact, there is a far better case for *insurance* being a natural monopoly than protection, since a larger insurance pool would tend to reduce premiums; and yet, it is clear that there is a great deal of competition between insurance companies, and there would be more if it were not restricted by state regulation.

The Nozick contention that a dominant agency would develop in each geographical area, then, is an example of an illegitimate *a priori* attempt to decide what the free market would do, and it is an attempt that flies in the face of concrete historical and institutional knowledge. Certainly, a dominant protective agency *could conceivably* emerge in a particular geographical area, but it is not very likely. And, as Roy Childs points out in his critique of Nozick, even if it did, it would not likely be a “unified federal system.” Childs also correctly points out that it is no more legitimate to lump all protective services together and call it a unified monopoly, than it would be to lump all the food growers and producers on the market together and say that they have a collective “system” or “monopoly” of food production.¹²

Furthermore, law and the State are both conceptually and historically separable, and law would develop in an anarchistic market society without any form of State. Specifically, the concrete *form* of anarchist legal institutions—judges, arbitrators, procedural methods for resolving disputes, etc.—would indeed grow by a market invisible-hand process, while the basic Law Code (requiring that no one invade any one else’s person and property) would have to be agreed upon by all the judicial agencies, just as all the competing judges once agreed to apply and extend the basic principles of the customary or common law.¹³ But the latter, again, would

12. Roy Childs, “Invisible Hand,” p. 25.

13. Cf., Bruno Leoni, *Freedom and the Law* (Los Angeles: Nash Publishing, 1972), and F.A. Hayek, *Law, Legislation, and Liberty*, vol. 1 (Chicago: University of Chicago Press, 1973).

imply no unified legal system or dominant protective agency. Any agencies that transgressed the basic libertarian code would be open outlaws and aggressors, and Nozick himself concedes that, lacking legitimacy, such outlaw agencies would probably not do very well in an anarchist society.¹⁴

Let us now assume that a dominant protective agency has come into being, as unlikely as that may be. How then do we proceed, without violation of anyone's rights, to Nozick's ultra-minimal state? Nozick writes¹⁵ of the plight of the dominant protective agency which sees the independents, with their unreliable procedures, rashly and unreliably retaliating against its own clients. Shouldn't the dominant agency have the right to defend its clients against these rash actions? Nozick claims that the dominant agency *has* a right to prohibit risky procedures against its clients, and that this prohibition *thereby* establishes the "ultra-minimal state," in which one agency coercively prohibits all other agencies from enforcing the rights of individuals.

There are two problems here at the very beginning. In the first place, what has happened to the peaceful resolution of disputes that marked scenario 3? Why can't the dominant agency and the independents agree to arbitrate or adjudicate their disputes, preferably in advance? Ah, but here we encounter Nozick's curious "thus" clause, which incorporated such voluntary agreements into one "unified federal judicial system." In short, if every time that the dominant agency and the independents work out their disputes in advance, Nozick then *calls this* "one agency," then by definition he precludes the peaceful settlement of disputes *without* a move onward to the compulsory monopoly of the ultra-minimal state.

But suppose, for the sake of continuing the argument, that we grant Nozick his question-begging definition of "one agency." Would the dominant agency still be justified in outlawing competitors? Certainly not, even if it wishes to preclude fighting. For what of the many cases in which the independents are enforcing justice for their own clients, and have nothing to do with the clients of the dominant agency? By what conceivable right does the dominant agency step in to outlaw peaceful arbitration and adjudication between the independents' own clients, with no impact on *its* clients? The answer is no right whatsoever, so that the dominant agency, in outlawing competitors, is aggressing against their rights, and against the rights of their actual or potential customers. Furthermore, as Roy Childs emphasizes, this decision to enforce their monopoly is scarcely

14. Nozick, *Anarchy, State, and Utopia*, p. 17.

15. *Ibid.*, pp. 55-56.

the action of an invisible hand; it is a *conscious*, highly visible decision, and must be treated accordingly.¹⁶

The dominant agency, Nozick claims, has the right to bar “risky” activities engaged in by independents. But what then of the independents? Do not *they* have the right to bar the risky activities of the dominant? And must not a war of all against all again ensue, in violation of scenario 3 and also necessarily engaging in some aggression against rights along the way? Where, then, are the moral activities of the state of nature assumed by Nozick all along? Furthermore, as Childs points out, what about the risk involved in having a compulsory monopoly protection agency? As Childs writes:

What is to check its power? What happens in the event of its assuming even more powers? Since it has a monopoly, any disputes over its functions are solved and judged exclusively by itself. Since careful prosecution procedures are costly, there is every reason to assume that it will become less careful without competition and, again, only it can judge the legitimacy of its own procedures, as Nozick explicitly tells us.¹⁷

Competing agencies, whether the competition be real or potential, not only insure high-quality protection at the lowest cost, as compared to a compulsory monopoly, but they also provide the genuine checks and balances of the market against any one agency yielding to the temptations of being an “outlaw,” that is, of aggressing against the persons and properties of its clients or non-clients. If one agency among many becomes outlaw, there are others around to do battle against it on behalf of the rights of their clients; but who is there to protect anyone against the State, whether ultra-minimal or minimal? If we may be permitted to return once more to the historical record, the grisly annals of the crimes and murders of the State throughout history give one very little confidence in the non-risky nature of *its* activities. I submit that the risks of State tyranny are far greater than the risks of worrying about one or two unreliable procedures of competing defense agencies.

But this is scarcely all. For once it is permitted to proceed beyond defense against an overt act of actual aggression, once one can use force against someone because of his “risky” activities, the sky is then the limit, and there is virtually no limit to aggression against the rights of others. Once permit someone’s “fear” of the “risky” activities of others to lead to

16. Childs, “Invisible Hand,” p. 32.

17. *Ibid.*, pp. 27–28.

coercive action, then *any* tyranny becomes justified, and Nozick's "minimal" state quickly becomes the "maximal" State. I maintain, in fact, that there is no Nozickian stopping point from his ultra-minimal state to the maximal, totalitarian state. There is no stopping point to so-called preventive restraint or detention. Surely Nozick's rather grotesque suggestion of "compensation" in the form of "resort detention centers" is scarcely sufficient to ward off the specter of totalitarianism.¹⁸

A few examples: Perhaps the largest criminal class today in the United States is teenage black males. The risk of this class committing crime is far greater than any other age, gender, or color group. Why not, then, lock up all teenage black males until they are old enough for the risk to diminish? And then I suppose we could "compensate" them by giving them healthful food, clothing, playgrounds, and teaching them a useful trade in the "resort" detention camp. If not, why not? Example: the most important argument for Prohibition was the undoubted fact that people commit significantly more crimes, more acts of negligence on the highways, when under the influence of alcohol than when cold sober. So why not prohibit alcohol, and thereby reduce risk and fear, perhaps "compensating" the unfortunate victims of the law by free, tax-financed supplies of healthful grape juice? Or the infamous Dr. Arnold Hutschneker's plan of "identifying" allegedly future criminals in the grade schools, and then locking them away for suitable brainwashing? If not, why not?

In each case, I submit that there is only *one* why not, and this should be no news to libertarians who presumably believe in inalienable individual rights: namely, that no one has the *right* to coerce anyone not himself directly engaged in an *overt* act of aggression against rights. Any loosening of this criterion, to include coercion against remote "risks," is to sanction impermissible aggression against the rights of others. Any loosening of this criterion, furthermore, is a passport to unlimited despotism. Any state founded on *these* principles has been conceived, not immaculately (i.e., without interfering with anyone's rights), but by a savage act of rape.

Thus, even if risk were measurable, even if Nozick could provide us with a cutoff point of when activities are "too" risky, his rite of passage from dominant agency to ultraminimal state would still be aggressive, invasive, and illegitimate. But, furthermore, as Childs has pointed out, there is no way to measure the probability of such "risk," let alone the fear, (both of which are purely subjective).¹⁹ The only risk that can be measured is found in those rare situations—such as a lottery or a roulette

18. Nozick, *Anarchy, State, and Utopia*, pp. 142 ff.

19. Childs, "Invisible Hand," pp. 28–29.

wheel—where the individual events are random, strictly homogeneous, and repeated a very large number of times. In almost all cases of actual human action, these conditions do not apply, and so there is no measurable cut-off point of risk.

This brings us to Williamson Evers's extremely useful concept of the "proper assumption of risk." We live in a world of ineluctable and unmeasurable varieties of uncertainty and risk. In a free society, possessing full individual rights, the proper assumption of risk is by each individual over his own person and his justly owned property. No one, then, can have the right to coerce anyone else into reducing *his* risks; such coercive assumption is aggression and invasion to be properly stopped and punished by the legal system. Of course, in a free society, anyone may take steps to reduce risks that do not invade someone else's rights and property; for example, by taking out insurance, hedging operations, performance bonding, etc. But all of this is voluntary, and none involves either taxation or compulsory monopoly. And, as Roy Childs states, any coercive intervention in the market's provision for risk shifts the societal provision for risk away *from* the optimal, and hence *increases* risk to society.²⁰

One example of Nozick's sanctioning aggression against property rights is his concern²¹ with the private landowner who is surrounded by enemy landholders who won't let him leave. To the libertarian reply that any rational landowner would have first purchased access rights from surrounding owners, Nozick brings up the problem of being surrounded by such a set of numerous enemies that he *still* would not be able to go anywhere. But the point is that this is not simply a problem of landownership. Not only in the free society, but even now, suppose that one man is so hated by the whole world that no one will trade with him or allow him on their property. Well, then, the only reply is that this is his own proper assumption of risk. Any attempt to break that voluntary boycott by physical coercion is illegitimate aggression against the boycotters' rights. This fellow had better find some friends, or at least purchase allies, as quickly as possible.

How then does Nozick proceed from his "ultra-minimal" to his "minimal" State? He maintains that the ultra-minimal state is morally bound to "compensate" the prohibited, would-be purchasers of the services of independents by supplying them with protective services—and *hence* the "night-watchman" or minimal state.²² In the first place,

20. *Ibid.*, p. 29.

21. Nozick, *Anarchy, State, and Utopia*, p. 55n.

this decision too is a conscious and visible one, and scarcely the process of an invisible hand. But, more importantly, Nozick's principle of compensation is in even worse philosophical shape, if that is possible, than his theory of risk. For first, compensation, in the theory of punishment, is simply a method of trying to recompense the victim of crime; it must in no sense be considered a moral sanction for crime itself.

Nozick asks²³ whether property rights means that people are permitted to perform invasive actions "provided that they compensate the person whose boundary has been crossed?" In contrast to Nozick, the answer must be no, in every case. As Randy Barnett states, in his critique of Nozick, "Contrary to Nozick's principle of compensation, all violations of rights should be prohibited. That's what right means." And, "while voluntarily paying a purchase price makes an exchange permissible, compensation does not make an aggression permissible or justified."²⁴ Rights must not be transgressed, period, compensation being simply one method of restitution or punishment after the fact; I must not be permitted to cavalierly invade someone's home and break his furniture, simply because I am prepared to "compensate" him afterward.²⁵

Secondly, there is no way of knowing, in any case, what the compensation is supposed to be. Nozick's theory depends on people's utility scales being constant, measurable, and knowable to outside observers, none of which is the case.²⁶ Austrian subjective value theory shows us that people's utility scales are always subject to change, and that they can neither be measured nor known to any outside observer. If I buy a newspaper for 15 cents, then *all* that we can say about my value scale is that, at the moment of purchase, the newspaper is worth more to me than the 15 cents, and that is all. That evaluation can change tomorrow, and no other part of my utility scale is knowable to others at all. (A minor point:

22. Furthermore, in Nozick's progression, every stage of the derivation of the state is supposed to be moral, since it supposedly proceeds without violating anyone's moral rights. In that case, the ultra-minimal state is supposed to be moral. But if so, how then can Nozick hold that the ultra-minimal state is *morally obliged* to proceed onward to the minimal state? For if the ultra-minimal state does not do so, then it is apparently immoral, which contradicts Nozick's original supposition. For this point, see R.L. Holmes, "Nozick on Anarchism," *Political Theory* 5 (1977): 247ff.

23. Nozick, *Anarchy, State, and Utopia*, p. 57.

24. Barnett, "Whither Anarchy?" p. 20.

25. Nozick, furthermore, compounds the burdens on the victim by compensating him only for actions that respond "adaptively" to the aggression. *Anarchy, State, and Utopia*, p. 58.

26. Nozick, *ibid.*, p. 58, explicitly assumes the measurability of utility.

Nozick's pretentious use of the "indifference curve" concept is not even necessary for his case, and it adds still further fallacies, for indifference is *never* by definition exhibited in action, in actual exchanges, and is therefore unknowable and objectively meaningless. Moreover, an indifference curve postulates two commodity axes—and *what* are the axes to Nozick's alleged curve?)²⁷ But if there is no way of knowing what will make a person as well off as before any particular change, then there is no way for an outside observer, such as the minimal state, to discover how much compensation is needed.

The Chicago School tries to resolve this problem by simply assuming that a person's utility loss is measured by the money-price of the loss; so if someone slashes my painting, and outside appraisers determine that I could have sold it for \$2000, then that is my proper compensation. But first, no one really knows what the market price would have been, since tomorrow's market may well differ from yesterday's; and second and more important, my psychic attachment to the painting may be worth far more to me than the money price, and there is *no way* for anyone to determine what the psychic attachment might be worth; *asking* is invalid since there is nothing to prevent me from lying grossly in order to drive up the "compensation."²⁸

Moreover, Nozick says nothing about the dominant agency compensating *its* clients for the shutting down of *their* opportunities in being able to shift their purchases to competing agencies. Yet their opportunities are shut off by compulsion, and furthermore, they may well perceive themselves as benefiting from the competitive check on the possible tyrannical impulses of the dominant agency. But *how* is the extent of such compensation to be determined? Furthermore, if compensation to the deprived clients of the dominant agency is forgotten by Nozick, what about the dedicated anarchists in the anarchistic state of nature? What about their trauma at seeing the far-from-immaculate emergence of the State? Are *they* to be compensated for their horror at seeing the State emerge? And *how much* are they to be paid? In fact, the existence of only *one* fervent anarchist who *could not* be compensated for the psychic trauma inflicted on him by the emergence of the State is enough by itself to scuttle Nozick's allegedly

27. I am indebted for this latter point to Professor Roger Garrison of the economics department, Auburn University.

28. Nozick also employs the concept of "transaction costs" and other costs in arriving at what activities may be prohibited with compensation. But this is invalid on the same grounds, namely because transaction and other costs are all *subjective* to each individual, and not objective, and hence are unknowable by any outside observer.

noninvasive model for the origin of the minimal state. For that absolutist anarchist, no amount of compensation would suffice to assuage his grief.

This brings us to another flaw in the Nozickian scheme: the curious fact that the compensation paid by the dominant agency is paid, not in cash, but in the extension of its sometimes dubious services to the clients of other agencies. And yet, advocates of the compensation principle have demonstrated that *cash*—which leaves the recipients free to buy whatever they wish—is far better from their point of view than any compensation in kind. Yet, Nozick, in postulating the extension of protection as the form of compensation, never considers the cash payment alternative. In fact, for the anarchist, this form of “compensation”—the institution of the State itself—is a grisly and ironic one indeed. As Childs forcefully points out, Nozick

wishes to prohibit us from turning to any of a number of competing agencies, other than the dominant protection agency. What is he willing to offer us as *compensation* for being so prohibited? He is generous to a fault. He will give us nothing less than *the State*. Let me be the first to publicly reject this admittedly generous offer. But . . . the point is, we *can't* reject it. It is foisted upon us whether we like it or not, whether we are willing to accept the state as compensation or not.²⁹

Furthermore, there is no warrant whatever, even on Nozick's own terms, for the minimal state's compensating every one uniformly, as he postulates; surely, there is no likelihood of everyone's value-scales being identical. But then *how* are the differences to be discovered and differential compensation paid?

Even confining ourselves to Nozick's compensated people—the former or current would-be clients of competing agencies—who are they? How can they be found? For, on Nozick's own terms, *only* such actual or would-be competing clients need compensation. But how does one distinguish, as proper compensation must, between those who have been deprived of their desired independent agencies and who therefore deserve compensation, and those who wouldn't have patronized the independents anyway, i.e., who therefore don't need compensation? By not making such distinctions, Nozick's minimal state doesn't even engage in proper compensation on Nozick's own terms.

Childs raises another excellent point on Nozick's own prescribed form of compensation—the dire consequences for the minimal state of the

29. Childs, “Invisible Hand,” p. 27.

fact that the payment of such compensation will necessarily raise the costs, and therefore the prices charged, by the dominant agency. As Childs states:

If the minimal state must protect everyone, even those who cannot pay, and if it must compensate those others for prohibiting their risky actions, then this must mean that it will charge its original customers more than it would have in the case of the ultra-minimal state. But this would, ipso facto, increase the number of those who, because of their demand curves, would have chosen non-dominant agencies . . . over dominant agency-turned ultra-minimal state-turned minimal state. Must the minimal state then protect them at no charge, or compensate them for prohibiting them from turning to the other agencies? If so, then once again, it must either increase its price to its remaining customers, or decrease its services. In either case, this again produces those who, given the nature and shape of their demand curves, would have chosen the non-dominant agencies over the dominant agency. Must these then be compensated? If so, then the process leads on, to the point where no one but a few wealthy fanatics advocating a minimal state would be willing to pay for greatly reduced services. If this happened, there is reason to believe that very soon the minimal state would be thrown into the invisible dustbin of history, which it would, I suggest, richly deserve.³⁰

A tangential but important point on compensation: adopting Locke's unfortunate "proviso," on homesteading property rights in unused land, Nozick declares that no one may appropriate unused land if the remaining population who desire access to land are "worse off."³¹ But again, how do we know if they are worse off or not? In fact, Locke's proviso may lead to the outlawry of *all* private ownership of land, since one can always say that the reduction of available land leaves everyone else, who could have appropriated the land, worse off. In fact, there is no way of measuring or knowing when they are worse off or not. And even if they are, I submit that this, too, is their proper assumption of risk. Everyone should have the right to appropriate as his property previously unowned land or other resources. If latecomers are worse off, well then that is their proper assumption of risk in this free and uncertain world. There is no longer a vast frontier in the United States, and there is no point in crying over the fact. In fact, we can generally achieve as much "access" as we want to these resources by paying a market price for them; but even if the owners

30. *Ibid.*, p. 31.

31. Nozick, *Anarchy, State, and Utopia*, pp. 178ff.

refused to sell or rent, that should be their right in a free society. Even Locke could nod once in a while.³²

We come now to another crucial point that Nozick's presumption that he can outlaw risky activities upon compensation rests on his contention that no one has the right to engage in "nonproductive" (including risky) activities or exchanges, and that therefore they can legitimately be prohibited.³³ For Nozick concedes that if the risky activities of others were legitimate, then prohibition and compensation would not be valid, and that we would then be "required instead to negotiate or contract with them, whereby they agree not to do the risky act in question. Why wouldn't we have to offer them an incentive, or hire them, or bribe them, to refrain from doing the act?"³⁴ In short, if not for Nozick's fallacious theory of illegitimate "nonproductive" activities, he would have to concede people's rights to engage in such activities, the prohibition of risk and compensation principles would fall to the ground, and neither Nozick's ultraminimal nor his minimal state could be justified.

And here we come to what we might call Nozick's "drop dead" principle. For his criterion of a "productive" exchange is one where each party is better off than if the other did not exist at all; whereas a "nonproductive" exchange is one where one party would be better off if the other dropped dead.³⁵ Thus, "if I pay you for not harming me, I gain nothing from you that I wouldn't possess if either you didn't exist at all or existed without having anything to do with me."³⁶ Nozick's "principle of compensation" maintains that a "nonproductive" activity can be prohibited provided that the person is compensated by the benefit he was forced to forego from the imposition of the prohibition.

Let us then see how Nozick applies his "nonproductive" and compensation criteria to the problem of blackmail.³⁷ Nozick tries to

32. Nozick also reiterates Hayek's position on charging for the use of one's solitary waterhole. *Ibid.*, p. 180. See also pp. 220–21 above.

33. See Barnett, "Whither Anarchy?" p. 19.

34. Nozick, *Anarchy, State, and Utopia*, pp. 83–84.

35. Let us apply Nozick's concept of "nonproductive exchange" to his own process of arriving at the State. If the dominant protective agency did not exist, then clients of the other, non-dominant agencies would be better off, since they prefer dealing with these independent agencies. But then, on Nozick's own showing, on his own "drop dead" principle, these clients have become the victims of a nonproductive exchange with the dominant protective agency and are therefore entitled to prohibit the activities of the dominant agency. For this scintillating point I am indebted to Dr. David Gordon.

36. Nozick, *Anarchy, State, and Utopia*, p. 84.

37. For our own theory of the permissibility of blackmail contracts, see pp. 124–26 above.

rehabilitate the outlawry of blackmail by asserting that “nonproductive” contracts should be illegal, and that a blackmail contract is nonproductive because a blackmailee is worse off because of the blackmailer’s very existence.³⁸ In short, if blackmailer Smith dropped dead, Jones (the blackmailee) would be better off. Or, to put it another way, Jones is paying not for Smith’s making him better off, but for *not* making him *worse off*. But surely the latter is *also* a productive contract, because Jones is still better off making the exchange than he *would have been* if the exchange were not made.

But this theory gets Nozick into very muddy waters indeed, some (though by no means all) of which he recognizes. He concedes, for example, that his reason for outlawing blackmail would force him also to outlaw the following contract: Brown comes to Green, his next-door neighbor, with the following proposition: I intend to build such-and-such a pink building on my property (which he knows that Green will detest). I *won’t* build this building, however, if you pay me X amount of money. Nozick concedes that this, too, would have to be illegal in his schema, because Green would be paying Brown for not being worse off, and hence the contract would be “nonproductive.” In essence, Green would be better off if Brown dropped dead.

It is difficult, however, for a libertarian to square such outlawry with any plausible theory of property rights, much less the one set forth in the present volume. In analogy with the blackmail example above, furthermore, Nozick concedes that it *would* be legal, in his schema, for Green, on finding out about Brown’s projected pink building, to come to Brown and offer to pay him not to go ahead. But why would such an exchange be “productive” just because Green made the offer?³⁹ What difference does it make *who* makes the offer in this situation? Wouldn’t Green *still* be better off if Brown dropped dead? And again, following the analogy, *would* Nozick make it illegal for Brown to refuse Green’s offer and *then* ask for more money? Why? Or, again, would Nozick make it illegal for Brown to subtly let Green know about the projected pink building and then let nature take its course, say, by advertising in the paper about the building and sending Green the clipping? Couldn’t this be taken as an act of courtesy? And why should merely *advertising* something be illegal?

38. Nozick, *Anarchy, State, and Utopia*, pp. 84–86.

39. Nozick doesn’t answer this crucial question; he simply asserts that this “will be a productive exchange.” *Ibid.*, pp. 84, 240n. 16. Ironically, Nozick was apparently forced into this retreat—conceding the “productivity” of the exchange if Green makes the offer—by the arguments of Professor Ronald Hamowy: ironic because Hamowy, as we have seen above, has also delivered a devastating critique of a somewhat similar definition of coercion by Professor Hayek.

Clearly, Nozick's case becomes ever more flimsy as we consider the implications. Furthermore, Nozick has not at all considered the manifold implications of his "drop dead" principle. If he is saying, as he seems to, that A is illegitimately "coercing" B if B is better off should A drop dead, then consider the following case: Brown and Green are competing at auction for the same painting which they desire. They are the last two customers left. Wouldn't Green be better off if Brown dropped dead? Isn't Brown therefore illegally coercing Green in some way, and therefore shouldn't Brown's participation in the auction be outlawed? Or, *per contra*, isn't Green coercing Brown in the same manner and shouldn't Green's participation in the auction be outlawed? If not, why not? Or, suppose that Brown and Green are competing for the hand of the same girl; wouldn't each be better off if the other dropped dead, and shouldn't either or both's participation in the courtship therefore be outlawed? The ramifications are virtually endless.

Nozick, furthermore, gets himself into a deeper quagmire when he adds that a blackmail exchange is not "productive" because outlawing the exchange makes one party (the blackmailee) no worse off. But that of course is not true: as Professor Block has pointed out, outlawing a blackmail contract means that the blackmailer has no further incentive *not to* disseminate the unwelcome, hitherto secret information about the blackmailed party. However, after twice asserting that the victim would be "no worse off" from the outlawing of the blackmail exchange, Nozick immediately and inconsistently concedes that "people value a blackmailer's silence, and pay for it." In that case, if the blackmailer is prohibited from charging for his silence, he need not maintain it and hence the blackmail-payer would indeed be worse off because of the prohibition!

Nozick adds, without supporting the assertion, that "his being silent is not a productive activity." Why not? Apparently because "his victims would be as well off if the blackmailer did not exist at all." Back again to the "drop dead" principle. But then, reversing his field once more, Nozick adds—inconsistently with his own assertion that the blackmailer's silence is not productive—that "On the view we take here, a seller of such silence could legitimately charge only for what he forgoes by silence . . . including the payments others would make to him to reveal the information." Nozick adds that while a blackmailer may charge the amount of money he would have received for revealing the information, "he may not charge the best price he could get from the purchaser of his silence."⁴⁰

40. Nozick, *Anarchy, State, and Utopia*, pp. 85–86.

Thus, Nozick, waffling inconsistently between outlawing blackmail and permitting only a price that the blackmailer could have received from selling the information, has mired himself into an unsupportable concept of a "just price." Why is it only licit to charge the payment foregone? Why *not* charge whatever the blackmailee is willing to pay? In the first place, both transactions are voluntary, and within the purview of both parties' property rights. Secondly, *no one knows*, either conceptually or in practice, what price the blackmailer could have gotten for his secret on the market. No one can predict a market price in advance of the actual exchange. Thirdly, the blackmailer may not only be gaining money from the exchange; he also possibly gains psychic satisfaction—he may dislike the blackmailee, or he may enjoy selling secrets and therefore he may "earn" from the sale to a third party more than just a monetary return. Here, in fact, Nozick gives away the case by conceding that the blackmailer "who *delights* in selling secrets may charge differently."⁴¹ But, in that case, what outside legal enforcement agency will ever be able to discover *to what extent* the blackmailer delights in revealing secrets and therefore what price he may legally charge to the "victim"? More broadly, it is conceptually impossible ever to discover the existence or the extent of his subjective delight or of any other psychic factors that may enter into his value-scale and therefore into his exchange.

And fourthly, suppose that we take Nozick's worst case, a blackmailer who could not find any monetary price for his secret. But, if blackmail were outlawed either totally or in Nozick's "just price" version, the thwarted blackmailer would simply disseminate the secrets for free—would *give away* the information (Block's "gossip or blabbermouth"). In doing so, the blackmailer would simply be exercising his right to use his body, in this case his freedom of speech. There can be no "just price" for restricting this right, for it has no objectively measurable value.⁴² Its value is subjective to the blackmailer, and his right may not be justly restricted. And furthermore, the "protected" victim is, in this case, surely worse off as a result of the prohibition against blackmail.⁴³

41. *Ibid.*, p. 86n.

42. See Barnett, "Whither Anarchy?" pp. 4–5.

43. Nozick, in *Anarchy, State, and Utopia*, p. 86, compounds his fallacies by going on to liken the blackmailer to a "protection racketeer," pointing out that, whereas protection is productive, selling someone "the racketeers' mere abstention from harming you" is not. But the "harm" threatened by the protection racketeer is not the exercise of free speech but aggressive violence, and the threat to commit aggressive violence is itself aggression. Here the difference is not the fallacious "productive" vs. "nonproductive," but between "voluntary" and "coercive" or "invasive"—the very essence of the libertarian philosophy. As Professor Block points out,

We must conclude, then, with modern, post-medieval economic theory, that the *only* “just price” for any transaction is the price voluntarily agreed upon by the two parties. Furthermore and more broadly, we must also join modern economic theory in labelling *all* voluntary exchanges as “productive,” and as making both parties better off from making the exchange. Any good or service voluntarily purchased by a user or consumer benefits him and is therefore “productive” from his point of view. Hence, all of Nozick’s attempts to justify either the outlawing of blackmail or the setting of some sort of just blackmail price (as well as for any other contracts that sell someone’s inaction) fall completely to the ground. But this means, too, that his attempt to justify the prohibition of *any* “non-productive” activities—including risk—fails as well, and hence fails, on *this ground alone*, Nozick’s attempt to justify his ultra-minimal (as well as his minimal) state.

In applying this theory to the risky, fear-inducing “nonproductive” activities of independent agencies which allegedly justify the imposition of the coercive monopoly of the ultra-minimal state, Nozick concentrates on his asserted “procedural rights” of each individual, which he states is the “right to have his guilt determined by the least dangerous of the known procedures for ascertaining guilt, that is, by the one having the lowest probability of finding an innocent party guilty.”⁴⁴ Here Nozick adds to the usual *substantive* natural rights—to the use of one’s person and justly acquired property unimpaired by violence—alleged “procedural rights,” or rights to certain procedures for determining innocence or guilt.

But one vital distinction between a genuine and a spurious “right” is that the former requires no positive action by anyone except noninterference. Hence, a right to person and property is not dependent on time, space, or the number or wealth of other people in the society; Crusoe can have such a right against Friday as can anyone in an advanced industrial society. On the other hand, an asserted right “to a living wage” is a spurious one, since fulfilling it requires positive action on the part of other people, as well as the existence of enough people with a high enough wealth or income to satisfy such a claim. Hence such a “right” cannot be independent of time, place, or the number or condition of other persons in society.

But surely a “right” to a less risky procedure requires positive action from enough people of specialized skills to fulfill such a claim; hence it is

In aggression what is being threatened is aggressive violence, something that the aggressor has no right to do. In blackmail, however, what is being ‘threatened’ is something that the blackmailer most certainly *does* have a right to do! To exercise his right of free speech, to gossip about our secrets.

Walter Block, “The Blackmailer as Hero,” *Libertarian Forum* (December 1972): 3.

44. Nozick, *Anarchy, State, and Utopia*, p. 96.

not a genuine right. Furthermore, such a right cannot be deduced from the basic right of self-ownership. On the contrary, everyone has the absolute right to defend his person and property against invasion. The criminal has no right, on the other hand, to defend his ill-gotten gains. But what *procedure* will be adopted by any group of people to defend their rights—whether for example personal self-defense, or the use of courts or arbitration agencies—depends on the knowledge and skill of the individuals concerned.

Presumably, a free market will tend to lead to most people choosing to defend themselves with those private institutions and protection agencies whose procedures will attract the most agreement from people in society. In short, people who will be willing to abide by their decisions as the most practical way of approximating the determination of *who*, in particular cases, are innocent and who are guilty. But these are matters of utilitarian discovery on the market as to the most efficient means of arriving at self-defense, and do not imply any such fallacious concepts as “procedural rights.”⁴⁵

Finally, in a scintillating *tour de force*, Roy Childs, after demonstrating that each of Nozick’s stages to the State is accomplished by a visible decision rather than by an “invisible hand,” stands Nozick on his head by demonstrating that the invisible hand, *on Nozick’s own terms*, would lead straight back from his minimal State to anarchism. Childs writes:

Assume the existence of the minimal state. An agency arises which copies the procedures of the minimal state, allows the state to sit in on its trials, proceedings, and so forth. Under this situation, it cannot be alleged that this agency is any more “risky” than the state. If it is still too risky, then we are also justified in saying that the state is too risky, and in prohibiting its activities, providing we compensate those who are disadvantaged by such prohibition. If we follow this course, the result is anarchy.

If not, then the “dominant agency”-turned minimal state finds itself competing against an admittedly watched-over competing agency. But wait: the competing, spied upon, oppressed second agency finds that it can charge a lower price

45. For an excellent and detailed critique of Nozick’s concept of “procedural rights,” see Barnett, “Whither Anarchy?” pp. 16–19. Professor Jeffrey Paul has also shown that any concept of “procedural rights” implies a “right” of some other procedure to arrive at such procedures, and this in turn implies another set of “rights” for methods of deciding on *those* procedures, and so on to an infinite regress. Paul, “Nozick, Anarchism, and Procedural Rights.”

for its services, since the minimal state has to compensate those who would have patronized agencies using risky procedures. It also has to pay the costs of spying on the new agency.

Since it is only morally bound to provide such compensation, it is likely to cease doing so under severe economic pressure. This sets two processes in motion: those formerly compensated because they would have chosen other agencies over the state, rush to subscribe to the maverick agency, thus re-asserting their old preferences. Also, another fateful step has been taken: the once proud minimal state, having ceased compensation, reverts to a lowly ultra-minimal state.

But the process cannot be stopped. The maverick agency must and does establish a good record, to win clients away from the ultra-minimal state. It offers a greater variety of services, toys with different prices, and generally becomes a more attractive alternative, all the time letting the state spy on it, checking its processes and procedures. Other noble entrepreneurs follow suit. Soon, the once lowly ultra-minimal state becomes a mere dominant agency, finding that the other agencies have established a noteworthy record, with safe, non-risky procedures, and stops spying on them, preferring less expensive agreements instead. Its executives have, alas!, grown fat and placid without competition; their calculations of who to protect, how, by what allocation of resources to what ends . . . are adversely affected by their having formerly removed themselves out of a truly competitive market price system. The dominant agency grows inefficient, when compared to the new, dynamic, improved agencies.

Soon—lo! and behold—the mere dominant protection agency becomes simply one agency among many in a market legal network. The sinister minimal state is reduced, by a series of morally permissible steps which violate the rights of no one, to merely one agency among many. In short, the invisible hand strikes back.⁴⁶

Some final brief but important points. Nozick, in common with all other limited government, laissez-faire theorists, has no theory of taxation: of how much it shall be, of who shall pay it, of what kind it should be, etc. Indeed, taxation is scarcely mentioned in Nozick's progression of stages toward his minimal state. It would seem that Nozick's minimal

46. Childs, "Invisible Hand," pp. 32–33.

state could only impose taxation on the clients it *would* have had before it became a state, and not on the would-be clients of competing agencies. But clearly, the existing State taxes *everyone*, with no regard whatever for who they *would* have patronized, and indeed it is difficult to see how it could try to find and separate these different hypothetical groups.

Nozick also, in common with his limited-government colleagues, treats "protection"—at least when proffered by his minimal state—as one collective lump. But *how much* protection shall be supplied, and at what cost of resources? And what criteria shall decide? For after all, we can *conceive* of almost the entire national product being devoted to supplying each person with a tank and an armed guard; or, we can conceive of only one policeman and one judge in an entire country. Who decides on the degree of protection, and on what criterion? For, in contrast, all the goods and services on the private market are produced on the basis of relative demands and cost to the consumers on the market. But there is no such criterion for protection in the minimal or any other State.

Moreover, as Childs points out, the minimal State that Nozick attempts to justify is a State *owned* by a private, dominant firm; there is still no explanation or justification in Nozick for the modern form of voting, democracy, checks and balances, etc.⁴⁷

Finally, a grave flaw permeates the entire discussion of rights and government in the Nozick volume: that, as a Kantian intuitionist, he *has* no theory of rights. Rights are simply emotionally intuited, with no ground-work in natural law—in the nature of man or of the universe. At bottom, Nozick has no real argument for the existence of rights.

To conclude: (1) no existing State has been immaculately conceived, and therefore Nozick, on his own grounds, should advocate anarchism and then wait for his State to develop; (2) even if any State *had* been so conceived, individual rights are inalienable and therefore no existing State could be justified; (3) every step of Nozick's invisible hand process is invalid: the process is all too conscious and visible, and the risk and compensation principles are both fallacious and passports to unlimited despotism; (4) there is no warrant, even on Nozick's own grounds, for the dominant protective agency to outlaw procedures by independents that do not injure its own clients, and therefore it cannot arrive at an ultra-minimal state; (5) Nozick's theory of "nonproductive" exchanges is invalid, so that the prohibition of risky activities and hence the ultra-minimal state falls on that account alone; (6) contrary to Nozick, there

47. *Ibid.*, p. 27.

are no "procedural rights," and therefore no way to get from his theory of risk and nonproductive exchange to the compulsory monopoly of the ultra-minimal state; (7) there is no warrant, even on Nozick's own grounds, for the minimal state to impose taxation; (8) there is no way, in Nozick's theory, to justify the voting or democratic procedures of any State; (9) Nozick's minimal state would, on his own grounds, justify a maximal State as well; and (10) the only "invisible hand" process, on Nozick's own terms, would move society from his minimal State back to anarchism.

Thus, the most important attempt in this century to rebut anarchism and to justify the State fails totally and in each of its parts.

Notes

Notes

Session 10

A Libertarian Theory of Strategy

Murray N. Rothbard, “Rothbard’s Confidential Memorandum to the Volker Fund, ‘What Is to Be Done?’” *Strictly Confidential: The Private Volker Fund Memos of Murray N. Rothbard* (2010), pp. 7–23.

Murray N. Rothbard, “A Strategy for Liberty,” *For a New Liberty: The Libertarian Manifesto* (1973) pp. 373–403.

Murray N. Rothbard, “The Influence of Radical Ideas,” “The Failure of Classical Liberalism,” “The Cadre, Coalitions, and the Pyramid of Ideology,” “Radical in Content, Conservative in Form,” “The Necessity of Graded Hierarchy,” “The Error of the Infallible Party,” “The Importance of the Press,” and “Requirements for Success,” *Toward a Strategy for Libertarian Social Change* (1977), pp. 83–125.

Murray N. Rothbard, “A New Strategy for Liberty,” *The Irrepressible Rothbard: The Rothbard-Rockwell Report Essays of Murray N. Rothbard* (2000), pp. 32–36.

I. Setting the Stage

Rothbard's Confidential Memorandum to the Volker Fund, "What Is to Be Done?"

July 1961

To: F.A. Harper, George Resch

STRICTLY CONFIDENTIAL

It is the thesis of this memorandum that the problem of tactics and strategy for advancement of the libertarian-individualist cause is at a critical crossroads, a crossroads in the historical development of this stream of thought, transcending even the important problems of establishing a possible libertarian institute, or of deciding how to rechannel educational funds from various blind alleys into which they have fallen. Many of us have devoted a great deal of time to advancing and developing libertarian and individualist thought itself, into rendering it consistent, deepening and rediscovering its implications, etc. But none of us has devoted time to thinking about a theory of strategy and tactics for advancing the cause of this doctrine, and it is therefore to this end that this paper is modestly offered. We need more than any other single thing a fruitful dialogue and research into this whole problem. This is not to say, of course, that a development of libertarian thought itself should be neglected.

Editor's note: all information with brackets [] has been added for clarification.

Toward A Theory of Revolutionary Strategy

I am here using the shock term “revolution” not in the sense of violent, or even nonviolent revolution against the State. I mean by “revolution” the effecting of an ideological revolution in the framework of ideas held by the bulk of our fellow men. We are, in this sense, revolutionaries—for we are offering the public a radical change in their doctrinal views and we are offering it from a firm and consistent base of principle that we are trying to spread among the public. (Largely, this comprehensive system is “libertarian,” i.e., the pure libertarian system, or, as a step to that, the *laissez-faire* system. But it also encompasses other aspects of “individualist” thought. An example is the good work that Volker and its Council of Basic Education have been doing against progressive education. As libertarians solely, we have no quarrel with progressive education, privately offered. But as individualists and rationalists, as people who want to see individual intellectual excellence and moral principles fostered in society, we favor intellectual, as opposed to “progressive,” education.)

Here we stand, then, a “hard core” of libertarian-individualist “revolutionaries,” anxious not only to develop our own understanding of this wonderful system of thought, but also anxious to spread its principles—and its policies—to the rest of society. How do we go about it?

I think that here we can learn a great deal from Lenin and the Leninists—not too much, of course, because the Leninist goals are the opposite of ours—but particularly the idea that the Leninist party is the main, or indeed only, moral principle. We are not interested in seizing power and governing the State, and we therefore proclaim, not only adhere to, such values as truth, individual happiness, etc., which the Leninists subordinate to their party’s victory.

But from *one* aspect of Lenin’s theory of strategy we can learn much: the setting forth of what “revolutionaries” can do to advance their principles, as opposed to the contrasting “deviations from the correct line,” which the Leninists have called “left-wing sectarianism” and “right-wing opportunism.” (In our case, the terminology would be reversed, perhaps: “left-wing opportunism” and “right-wing sectarianism.”)

The sectarian strategists (e.g., the current Trotskyite sects) are those who pass out leaflets on street corners, state their full ideological position at all times, and consider any collaboration in halfway measures as “opportunist,” “selling out the cause,” etc. They are undoubtedly noble, but almost always ineffective.

The opposite “deviation” is “opportunism”: the willingness to collaborate with any halfway measures or organizations, and, in effect, to abandon the true principles in the name of gradualist advance, “realism,” “practical life,” etc. These are the *real* sellers-out of the revolution, and they almost always, in historical Leninist experience, end by turning “reformist” and abandoning—in fact and later even *de jure*—their revolutionary principles. These people are ignoble, and, if they are at all effective, they are *not* effective in the proper, revolutionary direction.

On the “Right,” we have had plenty of experience with the opportunists. If we were forced to choose, surely self-respect would demand the “sectarian” course; the “opportunist” is, by his nature, “liquidationist” of true principle. But I believe that there is a third, “centrist” course—certainly hard to find in practice, but the broad outlines of which can be sketched, and then perhaps used as a guide for our future activities. This “middle way” (Ugh! How I hate that concept!) may, for convenience, be dubbed “centrist” or “Leninist,” and it runs, I believe, roughly as follows:

Our objective is, of course, to advance our principles—to spread libertarian-individualist thought (from now on to be called “libertarian” for short) among the people and to spread its policies in the political arena. This is our objective, *which must never be lost sight of*. We must, then, always aim toward the advancement of libertarian thought, both in its creative development, and its spread among the intellectuals and eventually the “masses.” This is the ultimate essence of our aim, this advancement of the “hard core” of libertarian thought and libertarian thinkers. The group of totally libertarian thinkers is, in short, the “hard core” or the “cadre” of the broadly libertarian or quasi-libertarian movement.

Second, bearing this objective in mind, we should work on the “lower levels” of thought and action toward a “Fabian” advance of

libertarian objectives. In this way, the hardcore man, the “militant” libertarian, works to advance not only the total system, but all steps *toward* that system. In this way, we achieve “unity of theory and practice,” we spurn the pitfalls of base opportunism, while making ourselves much more effective than our brothers, the sectarians.

Let us turn to a hypothetical example (purely hypothetical). Suppose one or two hardcore libertarians join some Organization for Repeal of the Income Tax. In working for OFRIT, what does the hardcore libertarian accomplish?

(1) In the very act of agitating for repeal of the income tax, he is pushing people in the direction of repeal and perhaps eventually bringing about repeal—which, in itself, is a worthy, if limited, libertarian objective. In short, he is advancing the cause of libertarianism *in the very act* of advancing the cause of income tax repeal. Thus, everything he does for OFRIT, being *consistent with* the ultimate libertarian objective helps advance that objective, and does not betray it.

(2) *In the course* of this work, the hardcore libertarian should try to advance the knowledge of both the masses and his fellow OFRIT members, toward *fuller* libertarian ideals. In short, to “push” his colleagues and others toward the direction of hardcore libertarian thought itself. (In Communist-Leninist terms, this is called “recruiting for the Party,” or pushing colleagues at least some way along this road.) The hardcore man is working for his idea on two levels: in a “popular” or “united” front for limited libertarian goals, and to try to influence his colleagues as well as the masses in the direction of the total system. (This is the essence of the much-misunderstood Leninist theory of “infiltration.”)

The effective centrist avoids the pitfalls of “opportunism” by keeping the objective firmly in view, and, in particular, by *never acting in a manner, or speaking in a manner, inconsistent with the full libertarian position*. To be inconsistent in the name of “practicality” is to betray the libertarian position itself, and is worthy of the utmost condemnation. (I would say here, by the way, that I think that Baldy [F.A.] Harper has been remarkable in hewing to this “strategy” of consistency with libertarianism in all of his writings.)

In the name of practicality, the opportunist not only loses any chance of advancing others toward the ultimate goal, but *he himself* gradually loses sight of that goal—as happens with any “sellout” of principle. Thus, suppose that one is writing about taxation. It is *not* incumbent on the libertarian to always proclaim his full “anarchist” position in whatever he writes; but it *is* incumbent upon him in no way to praise taxation or condone it; he should simply leave this perhaps glaring vacuum, and wait for the eager reader to begin to question and perhaps come to you for further enlightenment. But if the libertarian says, “Of course, some taxes must be levied,” or something of the sort, he has betrayed the cause.

Examples of “opportunist liquidationists” recently: the host of so-called “anarchists” who went around telling all their friends that good old Dick Nixon is “really a libertarian”; or, in the same campaign, Professor William H. Peterson’s revolting letter to the *New York Times contra* Galbraith, in which he said that, of course, there must be some “public sector,” but that this must be “balanced.” (Presumably, Galbraith’s suggested size of the public sector was not “balanced”? And just what is your *criterion* for balance, Mr. Peterson?) (This does not mean that I believe *any* support for Nixon or Kennedy was necessarily liquidationist; it is the absurd reason given—“Dick Nixon is really a pretty good libertarian”—that I am talking about. I do think, however, that most of the libertarians for Nixon were being, in effect, liquidationist in their outlook.)

As an example of a sectarian approach, I would cite the strategic view of Mr. Leonard Read, who believes that all one need do is to stay away from specifics, keep repeating over and over that liberty is a good thing and the number of ingredients that the free market puts into a pencil, keep advancing yourself, and the world will beat a path to your door. Setting aside the problem of specifics and generalities, I think that this view of strategy—*only* self-improving, never trying to influence others—is nonsensical, that it will get nowhere, particularly get nowhere in diffusing the influence of the hard core. For one of the reasons behind the idea of “infiltration” is that we can probably never hope to have everyone a hardcore man, just as we

can never hope to have everyone an intellectual. Since the hard core will always be relatively small, its influence must be maximized by giving it “leverage” through allied, less libertarian “united fronts” with less libertarian thinkers and doers.

To restate my view of the proper strategy: we must, first and foremost, nourish and increase the hard core; we must, then, try to diffuse and advance principles and action as far as possible *in the direction of* hardcore doctrines. To abandon the hard core is liquidationist; to abandon all hardcore leverage upon others is to remain sterile and ineffective. We must combine the two elements; we must, in short, nourish and develop a hard core, which will then permeate and exert leverage upon others.

As I will make clearer later on, I think the outstanding weakness of the programs of Volker-Earhart in recent years—which have been magnificent in their impact—and the weakness of Mr. Kenneth Templeton’s theory of “infiltration” is that, while a broad base of “right-wing” intellectuals has been developed and nourished, it has been done to the neglect of the vital task of building up the hard core. There can be no successful “infiltration” or “permeation,” unless there is a flourishing hardcore nucleus that does the infiltrating. But more on this anon.

To answer the vital question, “What is to be done?” it is necessary (1) to set forth the theoretical framework for a theory of libertarian strategy; and (2) to engage in a brief historical analysis of the data of the current case—to see where we are and how we have gotten that way. Having treated the first problem, let us now turn to a historical analysis of the libertarian movement in the United States since World War II.

From the Depths: World War II and After

Certainly, the period of World War II was the nadir of libertarian thought in America. (One of the reasons why I am personally optimistic about libertarianism is that I became a libertarian during this absolute trough period.) Anyone with libertarian inclinations felt himself completely isolated and alone; he believed that he was the

only one remotely of such views. This period was preeminently the period of *isolation* for the libertarian. I was one of two students on the entire Columbia campus “to the right” of Harry Truman, and others of my generation felt the same way. There was, in short, no movement; there was, in particular, no open center for a libertarian to go to, to “enter the movement,” to find congenial and like-minded thinkers, etc.

(I am going to stress, again and again through this memo, the importance of an “open center” for hardcore men. For one way to develop a hardcore man, is gradually—through, in my hypothetical example, working in OFRIT, then gradually being moved to a more “advanced” position. But *another* and important way is an open center where someone who is already a hardcore or near-hardcore man, can find his way and enter. This is one of the functions of an open center—and one of the reasons, again, why the Communist Party always wants to maintain an “open Party” *as well as* infiltrating groups, etc.)

So the dominant fact of this era was isolation for the libertarian. Here and there, in the catacombs, unbeknownst to us struggling neophytes, were little, separated groups of people: In Los Angeles, Leonard Read, Orval Watts, and R.C. Hoiles began to move toward a libertarian (or quasi-libertarian) position in the L.A. Chamber of Commerce, reprinting Bastiat, establishing Pamphleteers, Inc. At Cornell Agriculture School, F.A. Harper and several students of his were developing a libertarian view. Albert Jay Nock and a few right-wing Georgist disciples advanced their theory, Nock publishing *Memoirs of a Superfluous Man*, Frank Chodorov, having been fired as director of the Henry George School, establishing his superb “little magazine,” *analysis*. Nock gained a post as book reviewer for the National Economic Council, and was succeeded by another independent and isolated libertarian thinker, Rose Wilder Lane. Garett Garrett, having been ousted in the left-wing palace revolution at the *Saturday Evening Post*, established a quarterly *American Affairs* at the National Industrial Conference Board, under the benign eye of Dr. Virgil Jordan. Isabel Paterson, brilliant and cantankerous, resigned from her column at the *Herald-Tribune* to publish her great work, *God of the Machine*.

These, in the World War II years, were the tiny, isolated currents struggling to be heard. This was Phase I of the libertarian movement in this era: “In the Depths.” (I should add that Ludwig von Mises, unhonored and unsung, was eking out a pittance at the NYU School of Business.) There were, of course, older mass-influencing publications with generally “right-wing” views (much more so than today): the Hearst Press, the NAM, etc., but these could hardly function as leaders of thought or as bases for growth of a movement. And they were hardly libertarian.

Phase II: The Founding of FEE

With the formation of the Foundation for Economic Education in 1946, the libertarian movement turned a corner and began its postwar renaissance. FEE can be attacked on many, many counts—and I have done my share—but one achievement it can be proud of: it gathered together the many isolated and loose strands of the libertarians, and created that crucial *open center* for a libertarian movement. It not only disseminated libertarian literature; it provided a gateway, a welcoming place, for all hitherto isolated and neophyte libertarians. It launched the movement.

This great feat of FEE in launching the libertarian movement is testimony to the enormous need for a functioning “open center” for libertarians. For not only did this open center provide a channel and gateway for people to enter the libertarian ranks; not only did its agitation convert some and find others; it also, by providing an atmosphere and a “center” for like-minded students of liberty, provided the atmospheric spark for rapid advance from old-fashioned *laissez-faire* to 100 percent liberty on the part of much of its staff and friends. In short, FEE, by its very existence, exerted an enormous multiple leverage in creating and advancing and weaving together the strands and people in the libertarian cause. For this may it always be honored!

Leonard Read it was, of course, who performed this feat, and he drew together at or near FEE the various strands of the movement: Harper and his students from Cornell; the Los Angeles group; Herb

Cornuelle, who had been converted to liberty by the almost legendary unknown figure “Red Miller” of a Detroit municipal government service; Frank Chodorov, etc. And FEE, from the very beginning, devoted itself to the task not only of spreading its ideas, but also of finding and developing hardcore (at least hardcore according to its lights) libertarians. I believe it safe to say that virtually every libertarian in the country found his way into the ranks through FEE, and that almost every leading libertarian was, at one time or another, connected with FEE staff.

The Decline of FEE

Yet, with its achievement recorded, FEE must be set down as a tragic failure when we consider what it *could have* accomplished. It could have been a great center for libertarian thought; its members had the potential. But this potential was crippled—largely by the limitations, intellectual and otherwise, of Leonard Read. Read, in the last analysis, molded FEE in his own image, which is not writ very large.

Hardly appreciative of scholarship or of the conditions of free inquiry and research, Read stifled the scholarly and creative productivity of everyone on his staff—to the extent that all of the capable people, one after another, were forced to leave. FEE publications were increasingly pitched toward housewives, rather than scholars, which immediately tossed away the importance of the “pyramid of influence” from intellectual to mass. The advance of purer libertarian thought was not only discouraged by Read but bitterly attacked.

But housewives, in their turn, are not very interested in the construction of a pencil or the tale of a shirt; they are rather interested in specifics in evaluating Barry Goldwater or the problem of federal aid. The FEE literature in sticking to generalities—and low-grade generalities at that—fell between two stools and has therefore lost influence both among the intellectuals and among the “mass base.”

Leonard Read, observing this process of flight from FEE of its capable members, has rationalized the process as one of “training” libertarians and then sending them off to better things, thus functioning as a “high school” of liberty. He thus ignores the fact that it could

have been a lot more. But a “high school” it still is, and probably its most useful functions *now* are to influence and attract *beginners* in liberty—especially, indeed, high school students—and to still act as a gateway into the libertarian movement. But it is a gateway only and not in any sense a libertarian center any longer; so the question still remains: gateway to what I need not dwell here on the overriding importance of the intellectuals and scholars in forming a libertarian cadre. For the filiation of ideas and influence works as a pyramid, from the highest-level intellectuals to lower levels, from graduate school to college, from treatise authors to journalists, on down to the housewife and man in the street. In this pyramid, one scholar is worth a thousand housewives, in the matter of influence, import, etc. (For more on the importance of intellectual filiation and influence, cf. the memorandum, “Suggestions for a General Research Program for the Volker Fund,” Rothbard to Richard C. Cornuelle, April 3, 1954.)

Even Claude Robinson has recognized that the trouble with the “right wing” is that it has willingly financed a great deal of mass-influence propaganda directed to the average voter, while neglecting its scholars; the result has been, inevitably, not only a failure of scholarship to grow, but a lack of influence on the average voters themselves. No group, for example, acted with more energy on the mass base directly than the old Committee for Constitutional Government, and with no results whatever.

Another danger which the history of FEE and other right-wing organizations tells us: the tendency for the fellow who can obtain money to be in control of policy, and the corollary tendency to begin to trim the output of the organization to what will attract the money. When the latter happens, the gathering of money begins to become the end, not the means, and the organization begins to take on the dimension of a “racket.”

Phase III: The Emergence of the Volker Fund Concept

A new and vital turning point in the postwar libertarian movement was the emergence of the Volker Fund program. Originated by Harold Luhnnow of the Volker Fund, it was brought to fruition by Herbert

Cornuelle, and successors Richard Cornuelle and Ken Templeton. William Volker himself had always stressed the importance of grants to individuals, rather than organizations. The Volker Fund concept was to find and grant research funds to hosts of libertarian and right-wing scholars and to draw these scholars together via seminars, conferences, etc. Funds would be granted for projects that would advance libertarian thought; seminars would draw together right-wingers and permeate them with libertarian ideas.

In this new phase, with its crucial emphasis on scholarship and research, the Volker Fund has succeeded remarkably well. Libertarians have been found and nurtured, and libertarian allies in specific fields (e.g., recreation, water supply, and a host of others) arrayed together in informal “popular front” activity. Indeed, the whole Volker Fund activity may be considered a vast, informal, scholarly “popular front” operation. In addition, it has created successful formal “fronts,” such as the Council for Basic Education or the National Book Foundation, for specific activity along specific lines.

On the other hand, the Earhart Foundation program, structured along similar lines, has been less successful, primarily because the Volker grantees have been those whose *preponderant* impact has been libertarian, taking their major fields into consideration, whereas Earhart grantees have been virtually everyone to the right of Walter Reuther, and the Earhart Foundation has thus reflected an abandonment of “centrist” strategic thinking in an “opportunist” and liquidationist direction. Thus, when Earhart sponsored A.F. Burns’s series of lectures at Fordham some years ago, the net effect of this was to grant funds for A.F. Burns to shift his business leaders *further to the left* than they already were: a particularly disastrous example of the poor strategy of embracing almost everyone who is not an out-and-out socialist.

In addition to individual grants and seminars and symposia, the Volker Fund has also done excellent work in sponsoring such influential graduate school professors as Mises at NYU and Hayek at Chicago, and awarding fellowships for study with these men. Here, too, is an approach toward a policy of nurturing a hard core.

(As an example, by the way, of the importance of individual scholars and their influence, virtually every libertarian or even economist in the country has been a student of either Ludwig von Mises, Frank Knight, or F.A. Harper.)

Current Problems

The FEE has been in existence for fifteen years; the new Volker Fund program for over ten years. Not only does this length of time make a reassessment necessary, but other problems have emerged that make the present time an important crossroads. First, the building up of the “popular front” Volker list has reached its maximum impact. Summer seminars and conferences have begun, inevitably, to repeat their members; and the bulk of the members there have been “libertarian” in only the vaguest manner.

In short, the Volker Fund list consists largely of individual scholars who are vaguely sympathetic with libertarian or “conservative” aims, with others scattered through who more and more approach the hard core. There is little more that can be accomplished through *widening* the list; the time has come for a *deepening* of that list.

With the popular front having reached its widest functioning extent, problems and gaps have increasingly emerged in the fund program. And the biggest of these gaps is *the failure to build up a hard core*. I mentioned before about Ken Templeton’s theory of “infiltration” that for successful infiltration, there must be a strong hard core which functions as a nucleus, a center from which the infiltration emanates. There is not, and has not been, such a hard core. Without a strong hardcore center, the “infiltration” process inevitably leads *not* to the “revolutionary” goal of exerting leverage on less-advanced persons, *not* to drawing new members into the hard core, *but to the weakening and dissolving of the hard core itself*.

The failure to nurture a strong core means that those who are inclined to be hardcore libertarians, as they work and act constantly “in the field” with their “united front” allies, *begin to lose their own hardcore libertarian principles*. Acting in the world, acting “practically,” then, is all very well, but doing so without a strong hardcore nucleus means

the eventual loss of principle, it means a surrender to liquidationism and “opportunism.” This is bound to happen when the hard core is not nurtured and made strong, and *it has happened increasingly* over recent years. It happens when a William Peterson begins to shape farm programs for a Dick Nixon, or prattles about “balance” in the “public sector”; it happens when a Richard C. Cornuelle insists on acting “positively,” on cracking down on “negative thinking” about the government, on hopelessly trying to compete with the government in financing the ends that the Left decides to set for society. (Who can more abundantly and amply finance a Left-set goal such as a “college education for every man,” or “palaces for old people”? The government, or a private welfare outfit?)

In World War II, as I said before, the danger and despair of the individual hardcore libertarian was his isolation. Now, in 1961, with the libertarian and right-wing movements seemingly flourishing and growing apace, on scholarly and more popular levels, he is, once again, increasingly in danger of being *isolated*. Except this time, the danger is less apparent and more insidious. For it is the danger of the hardcore libertarian being swamped by a growing mass of “conservative” and right-wing thinkers.

Although libertarians, under first FEE and then Volker aegis, grew in number and influence, a reversal has begun to set in, a reversal caused by a confusion of everyone on the Right, a growing erasure of the important lines that separate the hardcore libertarian from the “conservative.” The result of exclusive emphasis on popular-front work, has meant that a buildup of the “Right” in general, has diluted the hard core, made the public, and the Right itself, increasingly unaware of the crucial *differences* between a hardcore libertarian and a plain conservative. With FEE no longer taken seriously as a center, and with Volker not having provided such a center, the hardcore libertarian movement—the essence and the glory of what the struggle is all about—is in danger of dying on the vine.

Thus, any given Volker Fund seminar will have only one or two hardcore men to a dozen “confused” conservatives. This is inevitable, given the numerical weakness of the hard core. But, if there is no

hardcore center, no firm, well-nourished nucleus, the hardcore men will have little influence on the conservatives who heavily outnumber them; hardcore strength itself will be diluted and vanish; and the whole purpose will be lost.

Furthermore, the Volker Fund program of giving grants to professors *where they are* begins to suffer from precisely the same set of problems. This, too, is a popular-front activity. Here, too, one libertarian professor at the University of Keokuk will remain, forever, one libertarian professor at the University of Keokuk. Being isolated at his university, he will have little or no influence. Outnumbered by the faculty colleagues, he will be held up to ridicule by faculty and students alike as an isolated “crackpot.” He will, then, generate no influence, as he will be isolated and cut off from productive interchange with fellow hardcore men (especially since those he may meet at summer seminars will be generally much less clearly libertarian than he himself), and he will therefore eventually lose his libertarian drive, if not his libertarian principles themselves.

The increasing danger of the “swamping” of the libertarian intellectual—which itself is inherent when the hard core is not nourished, fostered, and brought together as a nucleus—has been enormously redoubled by the transformation that has been effected in the right wing itself. This transformation, led by the theoreticians of *National Review*, has transformed the Right from a movement that, at least roughly, believed first of all in individual liberty (and its corollaries: civil liberties domestically, and peace and “isolation” in foreign affairs) into a movement that, on the whole, is opposed to individual liberty—a movement that, in fact, glorifies total war and the suppression of civil liberty; it also glorifies monarchy, imperialism, polite racism, and a unity of Church and State.

The Right having increasingly taken on this tone and complexion, it is all the more vital for the libertarian movement to be dissociated from, rather than allied with, the bulk of the right wing. The chief trouble now with the theory of the “popular front” is that this “front” has been largely infected with enemies of, rather than friends of, liberty. Fortunately, the Volker Fund’s own program suffers much less

than others (Earhart, Richardson, etc.) from this problem, because the fund's concentration has been on economists, who, in their capacity as economists (Chicago School, etc.) have been, at least on net balance, proponents of liberty. But in any other field but economics, the danger is grave indeed.

The present parlous state of the "right wing" makes imperative, in my view, a negative approach to any fund involvement with "direct action" organizations of the Right: this means not only such directly political organizations as the Young Americans for Freedom but also such organizations as the Intercollegiate Society of Individualists, which has, increasingly, been playing hand-in-glove with the right-wing drive for war and "anti-Communism." And even though there is opportunity for a philosophic synthesis, in some respects, between libertarians and conservatives (e.g., the addition to libertarianism of natural law, moral principles, etc.) there is no real opportunity for a political synthesis.

(Even philosophically, conservatism has so many things wrong with it that an attempt at synthesis distorts the real nature of conservatism: as it must overlook the conservatives' hostility to personal liberty, drive toward war, reverence for a theocratic state so long as it be "traditional," support for colonial imperialism, opposition to reason, etc. And here I want to go on record as regretting my own recent article in *Modern Age*, as distorting the nature of conservatism by dwelling almost exclusively on its favorable features.)

Needless to say, any support for such organs as *National Review* is contraindicated, and this extends even to the much better organ, *Modern Age*. I have come to the conclusion that, for libertarian thought to survive, a sharp break with "conservatism" must be undertaken, and even the new, improved *Modern Age* is too riddled with conservatism to be satisfactory. The time is too late for such a popular front.

I think it important to state what I am not advocating. I am most certainly not advocating that the Volker Fund drop its great program of aid to individual scholars. This superb conception needs to be continued and expanded. But there needs to be, in addition, much

greater concentration on nourishing a hardcore libertarian center. I am sorry to say that at this point, I have no concrete panacea to offer. *What form* this nourishment should take is still unclear. I believe that a scholarly libertarian institute, on the postgraduate level, a counterpart to the Institute for Advanced Study, would be the ideal solution. The idea would be to gather together leading libertarian scholars, to have permanent and also temporary staffs (the latter via fellowships), etc. This would not be degree granting, and thus would avoid the enormous pitfalls faced by any graduate school operation such as [Hans] Sennholz's "American School of Economics."

Failing the considerable amount of funds required for such an advanced study institute, there are other partial steps that could be taken which could eventually lead into an institute. One libertarian has suggested a counterpart of the Social Science Research Council, which would channel grants, create seminars, perhaps someday found an institute or society of alumni fellows, etc. Another suggestion is to have a sort of libertarian counterpart of the Mont Pelerin Society, with annual papers read, a scholarly journal, etc. Certainly, one modest step would be to expand the number of Volker Fund-supported professors, with fellowships to students, as is now being done in the case of Mises and Hayek.

This would not, of course, provide much of a libertarian center, but it would at least stimulate fellowships for studying under good people. The problems of the present program are (1) that Mises is teaching at a business school, with the result that his students are almost all low level, and when they graduate they do not teach or do research and thus do not have the "leverage effect" which is the main purpose of furthering intellectual work. It is important to have programs established in the liberal arts departments rather than in schools of business, which are looked down upon by the intellectual world anyway and often with good reason. (2) Hayek's Social Thought program is in an "offbeat" department which, rather than integrating all humane disciplines, teaches very little and makes almost no demands on the students; further, the result of this is that a Ph.D. from Social Thought carries little or no academic weight.

I am sorry that I have no further concrete suggestions to offer. My thesis can be summed up as saying that in this crossroads in the history of libertarian movement it is vital to de-emphasize drastically popular fronts with the conservative "Right," to nourish and construct the hardcore libertarian movement with some form or forms of nucleus or center, and to emphasize libertarian scholars and intellectuals primarily, and, if more direct action is desired, libertarian publicists and workers exclusively. The big danger to the libertarian movement now is a swamping by a rapidly growing (on intellectual and "practical" levels) conservative movement that presents more of a threat to liberty than a support. The great task facing us is the rescue of the libertarian movement from this danger.

A STRATEGY FOR LIBERTY

EDUCATION: THEORY AND MOVEMENT

And so we have it: a body of truth, sound in theory and capable of application to our political problems—the new libertarianism. But now that we have the truth, how can we achieve victory? We face the great strategic problem of all “radical” creeds throughout history: How can we get from here to there, from our current State-ridden and imperfect world to the great goal of liberty?

There is no magic formula for strategy; any strategy for social change, resting as it does on persuasion and conversion, can only be an art rather than an exact science. But having said this, we are still not bereft of wisdom in the pursuit of our goals. There *can* be a fruitful theory, or at the very least, theoretical discussion, of the proper strategy for change.

On one point there can scarcely be disagreement: a prime and necessary condition for libertarian victory (or, indeed, for victory for *any* social movement, from Buddhism to vegetarianism) is *education*: the persuasion and conversion of large numbers of people to the cause. Education, in turn, has two vital aspects: *calling people's attention* to the existence of such a system, and converting people to the libertarian system. If our movement consisted only of slogans, publicity, and other attention-getting devices, then we might be *heard* by many people, but it would soon be discovered that we had nothing

For a New Liberty

to say—and so the hearing would be fitful and ephemeral. Libertarians must, therefore, engage in hard thinking and scholarship, put forth theoretical and systematic books, articles, and journals, and engage in conferences and seminars. On the other hand, a mere elaboration of the theory will get nowhere if no one has ever heard of the books and articles; hence the need for publicity, slogans, student activism, lectures, radio and TV spots, etc. True education cannot proceed without theory *and* activism, without an ideology and *people* to carry that ideology forward.

Thus, just as the theory needs to be carried to the attention of the public, so does the theory need people to hold the banner, discuss, agitate, and carry the message forward and outward to the public. Once again, both theory and movement become futile and sterile without each other; the theory will die on the vine without a self-conscious movement which dedicates itself to advancing the theory and the goal. The movement will become mere pointless motion if it loses sight of the ideology and the goal in view. Some libertarian theorists feel that there is something impure or disreputable about a living movement with acting individuals; but how can liberty be achieved without libertarians to advance the cause? On the other hand, some militant activists, in their haste for action—*any* action—scorn what seem to be parlor discussions of theory; yet their action becomes futile and wasted energy if they have only a dim idea of what they are being active *about*.

Furthermore, one often hears libertarians (as well as members of other social movements) bewail that they are “only talking to themselves” with their books and journals and conferences; that few people of the “outside world” are listening. But this frequent charge gravely misconceives the many-sided purpose of “education” in the broadest sense. It is not only necessary to educate *others*; continual self-education is also (and equally) necessary. The corps of libertarians must always try to recruit others to their ranks, to be sure; but they must *also* keep their own ranks vibrant and healthy. Education of “ourselves” accomplishes two vital goals. One is the refining and advancing of the libertarian “theory”—the goal and purpose of our whole enterprise. Libertarianism, while vital and

true, cannot be merely graven in stone tablets; it must be a living theory, advancing through writing and discussion, and through refuting and combatting errors as they arise. The libertarian movement has dozens of small newsletters and magazines ranging from mimeographed sheets to slick publications, constantly emerging and dying. This is a sign of a healthy, growing movement, a movement that consists of countless individuals thinking, arguing, and contributing.

But there is another critical reason for “talking to ourselves,” *even if* that were all the talking that was going on. And that is *reinforcement*—the psychologically necessary knowledge that there are other people of like mind to talk to, argue with, and generally communicate and interact with. At present, the libertarian creed is still that of a relatively small minority, and furthermore, it proposes radical changes in the *status quo*. Hence, it is bound to be a lonely creed, and the reinforcement of having a movement, of “talking to ourselves,” can combat and overcome that isolation. The contemporary movement is now old enough to have had a host of defectors; analysis of these defections shows that, in almost every case, the libertarian has been isolated, cut off from fellowship and interaction with his colleagues. A flourishing movement with a sense of community and *esprit de corps* is the best antidote for giving up liberty as a hopeless or “impractical” cause.

ARE WE “UTOPIANS”?

All right, we are to have education through both theory and a movement. But what then should be the *content* of that education? Every “radical” creed has been subjected to the charge of being “utopian,” and the libertarian movement is no exception. Some libertarians themselves maintain that we should not frighten people off by being “too radical,” and that therefore the full libertarian ideology and program should be kept hidden from view. These people counsel a “Fabian” program of gradualism, concentrating solely on a gradual whittling away of State power. An example would be in the field of taxation: Instead of advocating the “radical” measure of

For a New Liberty

abolition of all taxation, or even of abolishing income taxation, we should confine ourselves to a call for tiny improvements; say, for a two percent cut in income tax.

In the field of strategic thinking, it behooves libertarians to heed the lessons of the Marxists, because they have been thinking about strategy for radical social change longer than any other group. Thus, the Marxists see two critically important strategic fallacies that “deviate” from the proper path: one they call “left-wing sectarianism”; the other, and opposing, deviation is “right-wing opportunism.” The critics of libertarian “extremist” principles are the analog of the Marxian “right-wing opportunists.” The major problem with the opportunists is that by confining themselves strictly to gradual and “practical” programs, programs that stand a good chance of immediate adoption, they are in grave danger of completely losing sight of the ultimate objective, the libertarian goal. He who confines himself to calling for a two percent reduction in taxes helps to bury the ultimate goal of abolition of taxation altogether. By concentrating on the immediate means, he helps liquidate the ultimate goal, and therefore the point of being a libertarian in the first place. If libertarians refuse to hold aloft the banner of the pure principle, of the ultimate goal, *who will?* The answer is no one, hence another major source of defection from the ranks in recent years has been the erroneous path of opportunism.

A prominent case of defection through opportunism is someone we shall call “Robert,” who became a dedicated and militant libertarian back in the early 1950s. Reaching quickly for activism and immediate gains, Robert concluded that the proper strategic path was to play down all talk of the libertarian goal, and in particular to play down libertarian hostility to government. His aim was to stress only the “positive” and the accomplishments that people could achieve through voluntary action. As his career advanced, Robert began to find uncompromising libertarians an encumbrance; so he began systematically to fire anyone in his organization caught being “negative” about government. It did not take very long for Robert to abandon the libertarian ideology openly and explicitly, and to call for a “partnership” between government and

private enterprise—between coercion and the voluntary—in short, to take his place openly in the Establishment. Yet, in his cups, Robert will even refer to himself as an “anarchist,” but only in some abstract cloud-land totally unrelated to the world as it is.

The free-market economist F.A. Hayek, himself in no sense an “extremist,” has written eloquently of the vital importance for the success of liberty of holding the pure and “extreme” ideology aloft as a never-to-be-forgotten creed. Hayek has written that one of the great attractions of socialism has always been the continuing stress on its “ideal” goal, an ideal that permeates, informs, and guides the actions of all those striving to attain it. Hayek then adds:

We must make the building of a free society once more an intellectual adventure, a deed of courage. What we lack is a liberal Utopia, a programme which seems neither a mere defence of things as they are nor a diluted kind of socialism, but a truly liberal radicalism which does not spare the susceptibility of the mighty (including the trade unions), which is not too severely practical and which does not confine itself to what appears today as politically possible. We need intellectual leaders who are prepared to resist the blandishments of power and influence and who are willing to work for an ideal, however small may be the prospects of its early realization. They must be men who are willing to stick to principles and to fight for their full realization, however remote. . . . Free trade and freedom of opportunity are ideals which still may rouse the imaginations of large numbers, but a mere “reasonable freedom of trade” or a mere “relaxation of controls” is neither intellectually respectable nor likely to inspire any enthusiasm. The main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals and thereby an influence on public opinion which is daily making possible what only recently seemed utterly remote. Those who have concerned themselves exclusively with what seemed practicable in the existing state of opinion have constantly found that even this has rapidly become politically impossible as the result of changes in a public opinion which they have done nothing to guide. Unless we can make the philosophic foundations of a

For a New Liberty

free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark. But if we can regain that belief in the power of ideas which was the mark of liberalism at its best, the battle is not lost.¹

Hayek is here highlighting an important truth, and an important reason for stressing the ultimate goal: the excitement and enthusiasm that a logically consistent system can inspire. Who, in contrast, will go to the barricades for a two percent tax reduction?

There is another vital tactical reason for cleaving to pure principle. It is true that day-to-day social and political events are the resultants of many pressures, the often unsatisfactory outcome of the push-and-pull of conflicting ideologies and interests. But if only for that reason, it is all the more important for the libertarian to keep upping the ante. The call for a two percent tax reduction may achieve only the slight moderation of a projected tax *increase*; a call for a drastic tax cut may indeed achieve a substantial reduction. And, over the years, it is precisely the strategic role of the "extremist" to keep pushing the matrix of day-to-day action further and further in his direction. The socialists have been particularly adept at this strategy. If we look at the socialist program advanced 60, or even 30 years ago, it will be evident that measures considered dangerously socialistic a generation or two ago are now considered an indispensable part of the "mainstream" of the American heritage. In this way, the day-to-day compromises of supposedly "practical" politics get pulled inexorably in the collectivist direction. There is no reason why the libertarian cannot accomplish the same result. In fact, one of the reasons that the conservative opposition to collectivism has been so weak is that conservatism, by its very nature, offers not a consistent political philosophy but only a "practical" defense of

¹F.A. Hayek, "The Intellectuals and Socialism," in *Studies in Philosophy, Politics, and Economics* (Chicago: University of Chicago Press, 1967), p. 194.

the existing *status quo*, enshrined as embodiments of the American “tradition.” Yet, as statism grows and accretes, it becomes, by definition, increasingly entrenched and therefore “traditional”; conservatism can then find no intellectual weapons to accomplish its overthrow.

Cleaving to principle means something more than holding high and not contradicting the ultimate libertarian ideal. It *also* means striving to achieve that ultimate goal as rapidly as is physically possible. In short, the libertarian must never advocate or *prefer* a gradual, as opposed to an immediate and rapid, approach to his goal. For by doing so, he undercuts the overriding importance of his own goals and principles. And if he himself values his own goals so lightly, how highly will *others* value them?

In short, to really pursue the goal of liberty, the libertarian must desire it attained by the most effective and speediest means available. It was in this spirit that the classical liberal Leonard E. Read, advocating immediate and total abolition of price and wage controls after World War II, declared in a speech, “If there were a button on this rostrum, the pressing of which would release all wage and price controls instantaneously, I would put my finger on it and push!”²

The libertarian, then, should be a person who would push the button, if it existed, for the instantaneous abolition of all invasions of liberty. Of course, he knows, too, that such a magic button does not exist, but his fundamental preference colors and shapes his entire strategic perspective.

Such an “abolitionist” perspective does not mean, again, that the libertarian has an unrealistic assessment of how rapidly his goal will, in fact, be achieved. Thus, the libertarian abolitionist of slavery, William Lloyd Garrison, was not being “unrealistic” when in the 1830s he first raised the glorious standard of immediate emancipation of the slaves. His goal was the morally proper one, and his strategic realism came in

²Leonard E. Read, *I'd Push the Button* (New York: Joseph D. McGuire, 1946), p. 3.

For a New Liberty

the fact that he did not expect his goal to be quickly reached. We have seen in chapter 1 that Garrison himself distinguished: “Urge immediate abolition as earnestly as we may, it will, alas! be gradual abolition in the end. We have never said that slavery would be overthrown by a single blow; that it ought to be, we shall always contend.”³ Otherwise, as Garrison trenchantly warned, “Gradualism in theory is perpetuity in practice.”

Gradualism in theory indeed undercuts the goal itself by conceding that it must take second or third place to other non- or antilibertarian considerations. For a preference for gradualism implies that these other considerations are more important than liberty. Thus, suppose that the abolitionist of slavery had said, “I advocate an end to slavery—but only after ten years’ time.” But this would imply that abolition eight or nine years from now, or *a fortiori* immediately, would be *wrong*, and that therefore it is *better* for slavery to be continued a while longer. But this would mean that considerations of justice have been abandoned, and that the goal itself is no longer held highest by the abolitionist (or libertarian). In fact, for both the abolitionist and libertarian this would mean they are advocating the *prolongation* of crime and injustice.

While it is vital for the libertarian to hold his ultimate and “extreme” ideal aloft, this does not, contrary to Hayek, make him a “utopian.” The true utopian is one who advocates a system that is contrary to the natural law of human beings and of the real world. A utopian system is one that could not work even if everyone were persuaded to try to put it into practice. The utopian system could not work, i.e., could not sustain itself in operation. The utopian goal of the left: communism—the abolition of specialization and the adoption of uniformity—could not work even if everyone were willing to adopt it immediately. It could not work because it violates the very nature of man and the world, especially the uniqueness and individuality of every person, of his abilities and interests, and

³Quoted in William H. Pease and Jane H. Pease, eds., *The Antislavery Argument* (Indianapolis: Bobbs-Merrill, 1965), p. xxxv.

because it would mean a drastic decline in the production of wealth, so much so as to doom the great bulk of the human race to rapid starvation and extinction.

In short, the term “utopian” in popular parlance confuses two kinds of obstacles in the path of a program radically different from the status quo. One is that it violates the nature of man and of the world and therefore could not work once it was put into effect. This is the utopianism of communism. The second is the difficulty in *convincing* enough people that the program should be adopted. The former is a bad theory because it violates the nature of man; the latter is simply a problem of human *will*, of convincing enough people of the rightness of the doctrine. “Utopian” in its common pejorative sense applies only to the former. In the deepest sense, then, the libertarian doctrine is not utopian but eminently realistic, because it is the only theory that is really consistent with the nature of man and the world. The libertarian does not deny the variety and diversity of man, he glories in it and seeks to give that diversity full expression in a world of complete freedom. And in doing so, he also brings about an enormous increase in productivity and in the living standards of everyone, an eminently “practical” result generally scorned by true utopians as evil “materialism.”

The libertarian is also eminently realistic because he alone understands fully the nature of the State and its thrust for power. In contrast, it is the seemingly far more realistic conservative believer in “limited government” who is the truly impractical utopian. This conservative keeps repeating the litany that the central government should be severely limited by a constitution. Yet, at the same time that he rails against the corruption of the original Constitution and the widening of federal power since 1789, the conservative fails to draw the proper lesson from that degeneration. The idea of a strictly limited constitutional State was a noble experiment that failed, even under the most favorable and propitious circumstances. If it failed then, why should a similar experiment fare any better now? No, it is the conservative *laissez-fairist*, the man who puts all the guns and all the decision-making power

For a New Liberty

into the hands of the central government and *then* says, "Limit yourself"; it is *he* who is truly the impractical utopian.

There is another deep sense in which libertarians scorn the broader utopianism of the left. The left utopians invariably postulate a drastic change in the nature of man; to the left, man *has* no nature. The individual is supposed to be infinitely malleable by his institutions, and so the communist ideal (or the transitional socialist system) is supposed to bring about the New Communist Man. The libertarian believes that, in the ultimate analysis, every individual has free will and moulds himself; it is therefore folly to put one's hope in a uniform and drastic change in people brought about by the projected New Order. The libertarian would *like* to see a moral improvement in everyone, although his moral goals scarcely coincide with those of the socialists. He would, for example, be overjoyed to see all desire for aggression by one man against another disappear from the face of the earth. But he is far too much of a realist to put his trust in this sort of change. Instead, the libertarian system is one that will at once be far more moral and work much better than any other, *given* any existing human values and attitudes. The more the desire for aggression disappears, of course, the better *any* social system will work, including the libertarian; the less need will there be, for example, for any resort to police or to the courts. But the libertarian system places no reliance on any such change.

If, then, the libertarian must advocate the immediate attainment of liberty and abolition of statism, and if gradualism in theory is contradictory to this overriding end, what *further* strategic stance may a libertarian take in today's world? Must he necessarily *confine* himself to advocating immediate abolition? Are "transitional demands," steps *toward* liberty in practice, necessarily illegitimate? No, for this would fall into the other self-defeating strategic trap of "left-wing sectarianism." For while libertarians have too often been opportunists who lose sight of or under-cut their ultimate goal, some have erred in the opposite direction: fearing and condemning *any advances* toward the idea as necessarily selling out the goal itself. The tragedy is that these sectarians, in condemning all advances that fall short of the goal, serve to render vain and

futile the cherished goal itself. For much as all of us would be overjoyed to arrive at total liberty at a single bound, the realistic prospects for such a mighty leap are limited. If social change is not always tiny and gradual, neither does it usually occur in a single leap. In rejecting any transitional approaches to the goal, then, these sectarian libertarians make it impossible for the goal itself ever to be reached. Thus, the sectarians can eventually be as fully “liquidationist” of the pure goal as the opportunists themselves.

Sometimes, curiously enough, the same individual will undergo alterations from one of these opposing errors to the other, in each case scorning the proper strategic path. Thus, despairing after years of futile reiteration of his purity while making no advances in the real world, the left sectarian may leap into the heady thickets of right opportunism, in the quest for *some* short-run advance, even at the cost of his ultimate goal. Or the right opportunist, growing disgusted at his own or his colleagues’ compromise of their intellectual integrity and their ultimate goals, may leap into left sectarianism and decry *any* setting of strategic priorities toward those goals. In this way, the two opposing deviations feed on and reinforce each other, and are both destructive of the major task of effectively reaching the libertarian goal.

How, then, can we know whether any halfway measure or transitional demand should be hailed as a step forward or condemned as an opportunistic betrayal? There are two vitally important criteria for answering this crucial question: (1) that, whatever the transitional demands, the ultimate end of liberty be always held aloft as the desired goal; and (2) that no steps or means ever explicitly or implicitly *contradict* the ultimate goal. A short-run demand may not go as far as we would like, but it should always be consistent with the final end; if not, the short-run goal will work against the long-run purpose, and opportunistic liquidation of libertarian principle will have arrived.

An example of such counterproductive and opportunistic strategy may be taken from the tax system. The libertarian looks forward to eventual abolition of taxes. It is perfectly legitimate for him, as a strategic measure in that desired direction,

For a New Liberty

to push for a drastic reduction or repeal of the income tax. But the libertarian must never support any new tax or tax increase. For example, he must not, while advocating a large cut in income taxes, also call for its replacement by a sales or other form of tax. The reduction or, better, the abolition of a tax is always a noncontradictory reduction of State power and a significant step toward liberty; but its replacement by a new or increased tax elsewhere does just the opposite, for it signifies a new and additional imposition of the State on some other front. The imposition of a new or higher tax flatly contradicts and undercuts the libertarian goal itself.

Similarly, in this age of permanent federal deficits, we are often faced with the practical problem: Should we agree to a tax cut, even though it may well result in an increased government deficit? Conservatives, who from their particular perspective prefer budget balancing to tax reduction, invariably oppose any tax cut which is not immediately and strictly accompanied by an equivalent or greater cut in government expenditures. But since taxation is an illegitimate act of aggression, any failure to welcome a tax cut—any tax cut—with alacrity undercuts and contradicts the libertarian goal. The time to oppose government expenditures is when the budget is being considered or voted upon; then the libertarian should call for drastic slashes in expenditures as well. In short, government activity must be reduced whenever it can: any opposition to a particular cut in taxes or expenditures is impermissible, for it contradicts libertarian principles and the libertarian goal.

A particularly dangerous temptation for practicing opportunism is the tendency of some libertarians, especially in the Libertarian party, to appear “responsible” and “realistic” by coming up with some sort of “four-year plan” for destatization. The important point here is not the number of years in the plan, but the idea of setting forth any sort of comprehensive and planned program of transition to the goal of total liberty. For example: that in year 1, law A should be repealed, law B modified, tax C cut by 10 percent, etc.; in year 2, law D should be repealed, tax C cut by a further 10 percent, etc. The

grave problem with such a plan, the severe contradiction with libertarian principle, is that it strongly implies, e.g., that law D should *not* be repealed *until* the second year of the planned program. Hence the trap of gradualism-in-theory would be fallen into on a massive scale. The would-be libertarian planners would have fallen into a position of seeming to oppose any faster pace toward liberty than is encompassed by their plan. And, indeed, there is no legitimate reason for a slower than a faster pace; quite the contrary.

There is another grave flaw in the very idea of a comprehensive planned program toward liberty. For the very care and studied pace, the very all-embracing nature of the program, implies that the State is not really the common enemy of mankind, that it is possible and desirable to *use* the State for engineering a planned and measured pace toward liberty. The insight that the State is the major enemy of mankind, on the other hand, leads to a very different strategic outlook: namely, that libertarians should push for and accept with alacrity *any* reduction of State power or activity on any front. Any such reduction at any time should be a welcome decrease of crime and aggression. Therefore, the libertarian's concern should not be to use the State to embark on a measured course of destatization, but rather to hack away at any and all manifestations of statism whenever and wherever he or she can.

In keeping with this analysis, the National Committee of the Libertarian party in October 1977 adopted a declaration of strategy which included the following:

We must hold high the banner of pure principle, and never compromise our goal. . . . The moral imperative of libertarian principle demands that tyranny, injustice, the absence of full liberty, and violation of rights continue no longer.

Any intermediate demand must be treated, as it is in the Libertarian Party platform, as pending achievement of the pure goal and inferior to it. Therefore, any such demand should be presented as leading toward our ultimate goal, not as an end in itself.

Holding high our principles means avoiding completely the quagmire of self-imposed, obligatory gradualism: We must

For a New Liberty

avoid the view that, in the name of fairness, abating suffering, or fulfilling expectations, we must temporize and stall on the road to liberty. Achieving liberty must be our overriding goal.

We must not commit ourselves to any particular order of destatization, for that would be construed as our endorsing the continuation of statism and the violation of rights. Since we must never be in the position of advocating the continuation of tyranny, we should accept any and all destatization measures wherever and whenever we can.

Thus, the libertarian must never allow himself to be trapped into any sort of proposal for “positive” governmental action; in his perspective, the role of government should only be to remove itself from all spheres of society just as rapidly as it can be pressured to do so.

Neither should there be any contradictions in rhetoric. The libertarian should not indulge in any rhetoric, let alone any policy recommendations, which would work against the eventual goal. Thus, suppose that a libertarian is asked to give his views on a specific tax cut. Even if he does not feel that he can at the moment call loudly for tax abolition, the one thing that he *must not* do is add to his support of a tax cut such unprincipled rhetoric as, “Well, of course, *some* taxation is essential,” etc. Only harm to the ultimate objective can be achieved by rhetorical flourishes which confuse the public and contradict and violate principle.

IS EDUCATION ENOUGH?

All libertarians, of whatever faction or persuasion, lay great stress on education, on convincing an ever-larger number of people to become libertarians, and hopefully, highly dedicated ones. The problem, however, is that the great bulk of libertarians hold a very simplistic view of the role and scope of such education. They do not, in short, even attempt to answer the question: After education, what? What then? What happens after X number of people are convinced? And

how many need to be convinced to press on to the next stage? *Everyone*? A majority? Many people?

The implicit view of many libertarians is that only education is needed because everyone is an equally likely prospect for conversion. *Everyone* can be converted. While logically, of course, this is true, *sociologically* this is a feeble strategy indeed. Libertarians, of all people, should recognize that the State is a parasitic enemy of society, and that the State creates an elite of rulers who dominate the rest of us and extract their income by coercion. *Convincing* the ruling groups of their own iniquity, while logically possible (and perhaps even feasible in one or two instances), is almost impossible in practice. How much chance is there, for example, of convincing the executives of General Dynamics or of Lockheed that they should not take government largesse? How much likelihood is there that the President of the United States will read this book, or any other piece of libertarian literature, and then exclaim: "They're right. I've been wrong. I resign."? Clearly the chances of converting those who are waxing fat by means of State exploitation are negligible, to say the least. Our hope is to convert the mass of the people who are being victimized by State power, not those who are gaining by it.

But when we say this, we are also saying that beyond the problem of education lies the problem of power. After a substantial number of people have been converted, there will be the additional task of finding ways and means to remove State power from our society. Since the State will not gracefully convert itself out of power, other means than education, means of pressure, will have to be used. What particular means or what combination of means—whether by voting, alternative institutions untouched by the State or massive failure to cooperate with the State—depends on the conditions of the time and what will be found to work or not to work. In contrast to matters of theory and principle, the particular tactics to be used—so long as they are consistent with the principles and ultimate goal of a purely free society—are a matter of pragmatism, judgment, and the inexact "art" of the tactician.

WHICH GROUPS?

But education is the current strategic problem for the foreseeable and indefinite future. An important strategic question is *who*: If we cannot hope to convert our rulers in substantial numbers, *who* are the most likely prospects for conversion? which social, occupational, economic, or ethnic classes?

Conservatives have often placed their central hopes in big businessmen. This view of big business was most starkly expressed in Ayn Rand's *dictum* that "Big Business is America's most persecuted minority." Persecuted? With a few honorable exceptions, big business jostles one another eagerly to line up at the public trough. Does Lockheed, or General Dynamics, or AT&T, or Nelson Rockefeller feel persecuted?

Big business support for the Corporate Welfare-Warfare State is so blatant and so far-ranging, on all levels from the local to the federal, that even many conservatives have had to acknowledge it, at least to some extent. How then explain such fervent support from "America's most persecuted minority?" The only way out for conservatives is to assume (a) that these businessmen are dumb, and don't understand their own economic interests, and/or (b) that they have been brain-washed by left-liberal intellectuals, who have poisoned their souls with guilt and misguided altruism. Neither of these explanations will wash, however, as only a glance at AT&T or Lockheed will amply show. Big businessmen tend to be admirers of statism, to be "corporate liberals," not because their souls have been poisoned by intellectuals, but because a good thing has thereby been coming their way. Ever since the acceleration of statism at the turn of the twentieth century, big businessmen have been using the great powers of State contracts, subsidies and cartelization to carve out privileges for themselves at the expense of the rest of the society. It is not too farfetched to assume that Nelson Rockefeller is guided far more by self-interest than he is by woolly-headed altruism. It is generally admitted even by liberals, for example, that the vast network of government regulatory agencies is being used to cartelize each industry on behalf of the large firms and at

the expense of the public. But to salvage their New Deal world-view, liberals have to console themselves with the thought that these agencies and similar “reforms,” enacted during the Progressive, Wilson, or Rooseveltian periods, were launched in good faith, with the “public weal” grandly in view. The idea and genesis of the agencies and other liberal reforms were therefore “good”; it was only in practice that the agencies somehow slipped into sin and into subservience to private, corporate interests. But what Kolko, Weinstein, Domhoff and other revisionist historians have shown, clearly and thoroughly, is that this is a piece of liberal mythology. In reality, all of these reforms, on the national and local levels alike, were conceived, written, and lobbied for by these very privileged groups themselves. The work of these historians reveals conclusively that there *was* no Golden Age of Reform before sin crept in; sin was there from the beginning, from the moment of conception. The liberal reforms of the Progressive-New Deal-Welfare State were designed to create what they did in fact create: a world of centralized statism, of “partnership” between government and industry, a world which subsists in granting subsidies and monopoly privileges to business and other favored groups.

Expecting the Rockefellers or the legion of other favored big businessmen to convert to a libertarian or even a laissez-faire view is a vain and empty hope. But this is not to say that *all* big businessmen, or businessmen in general, must be written off. Contrary to the Marxists, not all businessmen, or even big businessmen, constitute a homogeneous economic class with identical class interests. On the contrary, when the CAB confers monopoly privileges on a few large airlines, or when the FCC confers a monopoly on AT&T, there are numerous other firms and businessmen, small and large, who are injured and *excluded* from the privileges. The conferring of a monopoly of communications on AT&T by the FCC, for example, for a long while kept the now rapidly growing data communications industry stagnating in infancy; it was only an FCC decision to allow competition that enabled the industry to grow by leaps and bounds. Privilege implies exclusion, so there will always be a host of businesses and businessmen, large and

For a New Liberty

small, who will have a solid economic interest in ending State control over their industry. There are therefore a host of businessmen, especially those remote from the privileged "Eastern Establishment," who are potentially receptive to free-market and libertarian ideas.

Which groups, then, could we expect to be particularly receptive to libertarian ideas? Where, as the Marxists would put it, is our proposed "agency for social change"? This, of course, is an important strategic question for libertarians, since it gives us leads on where to direct our educational energies.

Campus youth is one group that has been prominent in the rising libertarian movement. This is not surprising: college is the time when people are most open to reflection and to considering basic questions of our society. As youth enamored of consistency and unvarnished truth, as collegians accustomed to a world of scholarship and abstract ideas, and not yet burdened with the care and the often narrower vision of adult employment, these youngsters provide a fertile field for libertarian conversion. We can expect far greater growth of libertarianism on the nation's campuses in the future, a growth that is already being matched by the adherence of an expanding number of young scholars, professors, and graduate students.

Youth in general should also be attracted by the libertarian position on subjects that are often closest to their concerns: specifically, our call for complete abolition of the draft, withdrawal from the Cold War, civil liberties for everyone, and legalization of drugs and other victimless crimes.

The media, too, have proved to be a rich source of favorable interest in the new libertarian creed. Not simply for its publicity value, but because the consistency of libertarianism attracts a group of people who are most alert to new social and political trends, and who, while originally liberals, are most alert to the growing failures and breakdowns of Establishment liberalism. Media people generally find that they cannot be attracted to a hostile conservative movement which automatically writes them off as leftists and which takes uncongenial

positions on foreign policy and civil liberties. But these same media persons can be and are favorably disposed to a libertarian movement which wholeheartedly agrees with their instincts on peace and personal liberty, and then links up their opposition to Big Government in these areas to government intervention in the economy and in property rights. More and more media people are making these new and illuminating connections, and they of course are extremely important in their influence and leverage on the rest of the public.

What of “Middle America”—that vast middle class and working class that constitute the bulk of the American population—and which is often at polar opposites from campus youth? Do we have any appeal for them? Logically, our appeal to Middle America should be even greater. We direct ourselves squarely to the aggravated and chronic discontent that afflicts the mass of the American people: rising taxes, inflation, urban congestion, crime, welfare scandals. Only libertarians have concrete and consistent solutions to these pressing ills: solutions that center on getting them out from under government in all these areas and turning them over to private and voluntary action. We can show that government and statism have been responsible for these evils, and that getting coercive government off our backs will provide the remedies.

To small businessmen we can promise a truly free-enterprise world, shorn of monopoly privilege, cartels, and subsidies engineered by the State and the Establishment. And to them and to the big businessmen outside the monopoly Establishment we can promise a world where their individual talents and energies can at last have full room to expand and to provide improved technology and increased productivity for them and for us all. To various ethnic and minority groups we can show that only under liberty is there full freedom for each group to cultivate its concerns and to run its own institutions, unimpeded and uncoerced by majority rule.

In short, the potential appeal of libertarianism is a multi-class appeal; it is an appeal that cuts across race, occupation, economic class, and the generations; any and all people not directly in the ruling elite are potentially receptive to our

For a New Liberty

message. Every person or group that values its liberty or prosperity is a potential adherent to the libertarian creed.

Liberty, then, has the potential for appealing to all groups across the public spectrum. Yet, it is a fact of life that when things are going smoothly, most people fail to develop any interest in public affairs. For radical social change—a change to a different social system—to take place, there must be what is called a “crisis situation.” There must, in short, be a breakdown of the existing system which calls forth a general search for alternative solutions. When such a widespread search for social alternatives takes place, then activists of a dissenting movement must be available to supply that radical alternative, to relate the crisis to the inherent defects of the system itself, and to point out how the alternative system would solve the existing crisis and prevent any similar breakdowns in the future. Hopefully, the dissenters would also have provided a track record of predicting and warning against the crisis that now exists.⁴

Furthermore, one of the characteristics of crisis situations is that even the ruling elites begin to weaken their support for the system. Because of the crisis, even part of the State begins to lose its zest and enthusiasm for rule. In short, a failure of nerve by segments of the State occurs. Thus, in these situations of breakdown, even members of the ruling elite may convert to an alternative system or, at the least, may lose their enthusiasm for the existing one.

Thus the historian Lawrence Stone stresses, as a requirement for radical change, a decay in the will of the ruling elite. “The elite may lose its manipulative skill, or its military superiority, or its self-confidence or its cohesion; it may become

⁴Thus, Fritz Redlich writes,

. . . often the soil [for the triumph of an idea] must have been prepared by events. One can remember how difficult it was to disseminate the idea of an American central bank prior to the crisis of 1907 and how relatively easy it was thereafter.

Fritz Redlich, “Ideas: Their Migration in Space and Transmittal Over Time,” *Kyklos* (1953): 306.

estranged from the non-elite, or overwhelmed by a financial crisis; it may be incompetent, or weak or brutal.”⁵

WHY LIBERTY WILL WIN

Having set forth the libertarian creed and how it applies to vital current problems, and having sketched which groups in society that creed can be expected to attract and at what times, we must now assess the future prospects for liberty. In particular, we must examine the firm and growing conviction of the present author *not only* that libertarianism will triumph eventually and in the long run, but also that it will emerge victorious in a remarkably short period of time. For I am convinced that the dark night of tyranny is ending, and that a new dawn of liberty is now at hand.

Many libertarians are highly pessimistic about the prospects for liberty. And if we focus on the growth of statism in the twentieth century, and on the decline of classical liberalism that we adumbrated in the introductory chapter, it is easy to fall prey to a pessimistic prognosis. This pessimism may deepen further if we survey the history of man and see the black record of despotism, tyranny, and exploitation in civilization after civilization. We could be pardoned for thinking that the classical-liberal upsurge of the seventeenth

⁵Lawrence Stone, *The Causes of the English Revolution, 1529–1642* (New York: Harper and Row, 1972), p. 9. Similar is Lenin’s analysis of the features of a “revolutionary situation”:

. . . when there is a crisis, in one form or another, among the “upper classes,” a crisis in the policy of the ruling class, leading to a fissure through which the discontent and indignation of the oppressed classes burst forth. For a revolution to take place, it is usually insufficient for “the lower classes not to want” to live in the old way; it is also necessary that “the upper classes should be unable” to live in the old way.

V.I. Lenin, “The Collapse of the Second International” (June 1915), in *Collected Works* (Moscow: Progress Publishers, 1964), vol. 21, pp. 213–14.

For a New Liberty

through the nineteenth centuries in the West would prove to be an atypical burst of glory in the grim annals of past and future history. But this would be succumbing to the fallacy of what the Marxists call “impressionism”: a superficial focus on the historical events themselves without a deeper analysis of the causal laws and trends at work.

The case for libertarian optimism can be made in a series of what might be called concentric circles, beginning with the broadest and longest-run considerations and moving to the sharpest focus on short-run trends. In the broadest and longest-run sense, libertarianism will win eventually because it and only it is compatible with the nature of man and of the world. Only liberty can achieve man’s prosperity, fulfillment, and happiness. In short, libertarianism will win because it is true, because it is the correct policy for mankind, and truth will eventually win out.

But such long-run considerations may be very long indeed, and waiting many centuries for truth to prevail may be small consolation for those of us living at any particular moment in history. Fortunately, there is a shorter-run reason for hope, particularly one that allows us to dismiss the grim record of pre-eighteenth-century history as no longer relevant to the future prospects of liberty.

Our contention here is that history made a great leap, a sea-change, when the classical-liberal revolutions propelled us into the Industrial Revolution of the eighteenth and nineteenth centuries.⁶ For in the preindustrial world, the world of the Old Order and the peasant economy, there was no reason why the reign of despotism could not continue indefinitely, for many centuries. The peasants grew the food, and the kings, nobles, and feudal landlords extracted all of the peasants’ surplus above what was necessary to keep them all alive and working. As brutish, exploitative, and dismal as agrarian

⁶For a more extended historical analysis, see Murray N. Rothbard, “Left and Right: The Prospects for Liberty,” in *Egalitarianism as a Revolt Against Nature, and Other Essays* (Washington, D.C.: Libertarian Review Press, 1974), pp. 14–33.

despotism was, it could survive, for two main reasons: (1) the economy could readily be maintained, even though at subsistence level; and (2) because the masses knew no better, had never experienced a better system, and hence could be induced to keep serving as beasts of burden for their lords.

But the Industrial Revolution was a great leap in history, because it created conditions and expectations which were irreversible. For the first time in the history of the world, the Industrial Revolution created a society where the standard of living of the masses leapt up from subsistence and rose to previously unheard-of heights. The population of the West, previously stagnant, now proliferated to take advantage of the greatly increased opportunities for jobs and the good life.

The clock cannot be turned back to a preindustrial age. Not only would the masses not permit such a drastic reversal of their expectations for a rising standard of living, but return to an agrarian world would mean the starvation and death of the great bulk of the current population. We are stuck with the industrial age, whether we like it or not.

But if that is true, then the cause of liberty is secured. For economic science has shown, as we have partially demonstrated in this book, that *only* freedom and a free market can run an industrial economy. In short, while a free economy and a free society would be desirable and just in a preindustrial world, in an industrial world it is also a vital *necessity*. For, as Ludwig von Mises and other economists have shown, in an industrial economy statism simply does not work. Hence, given a universal commitment to an industrial world, it will eventually—and a much sooner “eventually” than the simple emergence of truth—become clear that the world will have to adopt freedom and the free market as the requisite for industry to survive and flourish. It was this insight that Herbert Spencer and other nineteenth-century libertarians were perceiving in their distinction between the “military” and the “industrial” society, between a society of “status” and a society of “contract.” In the twentieth century, Mises demonstrated (a) that all statist intervention distorts and cripples the market and leads, if not reversed, to socialism; and (b) that socialism is a disaster because it cannot plan an industrial

For a New Liberty

economy for lack of profit-and-loss incentives, and for lack of a genuine price system or property rights in capital, land, and other means of production. In short, as Mises predicted, neither socialism nor the various intermediary forms of statism and interventionism can work. Hence, given a general commitment to an industrial economy, these forms of statism would have to be discarded, and be replaced by freedom and free markets.

Now this was a much shorter run than simply waiting for the truth, but to the classical liberals at the turn of the twentieth century—the Sumners, Spencers, and Paretos—it seemed like an unbearably long run indeed. And they cannot be blamed, for they were witnessing the decline of classical liberalism and the birth of the new despotic forms which they opposed so strongly and steadfastly. They were, alas! present at the creation. The world would have to wait, if not centuries then at least decades, for socialism and corporate statism to be shown up as utter failures.

But the long run is now here. We do not have to prophesy the ruinous effects of statism; they are here at every hand. Lord Keynes once scoffed at criticisms by free-market economists that his inflationist policies would be ruinous in the long run; in his famous reply, he chortled that “in the long run we are all dead.” But now *Keynes* is dead and we are alive, living in *his* long run. The statist chickens have come home to roost.

At the turn of the twentieth century, and for decades thereafter, things were not nearly that clear. Statist intervention, in its various forms, tried to preserve and even extend an industrial economy while scuttling the very requirements of freedom and the free market which in the long run are necessary for its survival. For half a century, statist intervention could wreak its depredations through planning, controls, high and crippling taxation, and paper money inflation without causing clear and *evident* crises and dislocations. For the free-market industrialization of the nineteenth century had created a vast cushion of “fat” in the economy against such depredations. The government could impose taxes, restrictions, and inflation upon the system and not reap rapid and evidently bad effects.

But now statism has advanced so far and been in power so long that the cushion is worn thin; as Mises pointed out as long ago as the 1940s, the “reserve fund” created by laissez-faire has been “exhausted.” So that now, whatever the government does brings about an instant negative feedback—ill effects that are evident to all, even to many of the most ardent apologists for statism.

In the Communist countries of Eastern Europe, the Communists themselves have increasingly perceived that socialist central planning simply does not work for an industrial economy. Hence the rapid retreat, in recent years, away from central planning and toward free markets, especially in Yugoslavia. In the Western world, too, State capitalism is everywhere in crisis as it becomes clear that, in the most profound way, the government has run out of money: increasing taxes will cripple industry and incentives beyond repair, while increased creation of new money will lead to a disastrous runaway inflation. And so we hear more and more about the “necessity of lowered expectations from government” from among the State’s once most ardent champions. In West Germany, the Social Democratic party has long since abandoned the call for socialism. In Great Britain, suffering from a tax-crippled economy and aggravated inflation—what even the British are calling the “English disease—the Tory party, for years in the hands of dedicated statist, has now been taken over by a free-market-oriented faction, while even the Labor party has been drawing back from the planned chaos of galloping statism.

But it is in the United States that we can be particularly optimistic, for here we can narrow the circle of optimism to a short-run dimension. Indeed, we can confidently say that the United States has now entered a permanent crisis situation, and we can even pinpoint the years of origin of that crisis: 1973–1975. Happily for the cause of liberty, not only has a crisis of statism arrived in the United States, but it has fortuitously struck across the board of society, in many different spheres of life at about the same time. Hence, these breakdowns of statism have had a synergistic effect, reinforcing each other in their cumulative impact. And not only have they

For a New Liberty

been crises of statism, but they are perceived by everyone to be caused by statism, and not by the free market, public greed, or whatever. And finally, these crises can only be alleviated by getting the government out of the picture. All we need are libertarians to point the way.

Let us quickly run down these areas of systemic crisis and see how many of them dovetailed in 1973–1975 and in the years since. From the fall of 1973 through 1975 the United States experienced an inflationary depression, after 40 years of alleged Keynesian fine-tuning which was supposed to eliminate both problems for all time. It was also in this period that inflation reached frightening, double-digit proportions.

It was, furthermore, in 1975 that New York City experienced its first great debt crisis, a crisis that resulted in partial default. The dread *name* “default” was avoided, to be sure; the virtual act of bankruptcy was instead called a “stretchout” (forcing short-term creditors to accept long-term New York City bonds). This crisis is only the first of many state and local bond defaults across the country. For state and local governments will be increasingly forced into unpleasant “crisis” choices: between radical cuts in expenditure, higher taxes that will drive businesses and middle-class citizens out of the area, and defaulting on debt.

Since the early 1970s, too, it has become increasingly clear that high taxes on income, savings, and investment have been crippling business activity and productivity. Accountants are only now beginning to realize that these taxes, combined especially with inflationary distortions of business calculation, have led to an increasing scarcity of capital, and to an imminent danger of consuming America’s vital stock of capital without even realizing it.

Tax rebellions are sweeping the country, reacting against high property, income, and sales taxes. And it is safe to say that any further increases in taxes would be politically suicidal for politicians at every level of government.

The Social Security system, once so sacred in American opinion that it was literally above criticism, is now seen to be as fully in disrepair as libertarian and free-market writers

have long warned. Even the Establishment *now* recognizes that the Social Security system is bankrupt, that it is in no sense a genuine “insurance” scheme.

Regulation of industry is increasingly seen to be such a failure that even such statist as Senator Edward Kennedy have been calling for deregulation of the airlines; there has even been considerable talk about abolition of the ICC and CAB.

On the social front, the once sacrosanct public school system has come under increasing fire. Public schools, necessarily making educational decisions for the entire community, have been generating intense social conflicts: over race, sex, religion, and the content of learning. Government practices on crime and incarceration are under increasing fire: the libertarian Dr. Thomas Szasz has almost single-handedly managed to free many citizens from involuntary commitment, while the government now concedes that its cherished policy of trying to “rehabilitate” criminals is an abject failure. There has been a total breakdown of enforcement of such drug laws as prohibition of marijuana and laws against various forms of sexual relations. Sentiment is rising across the nation for repeal of all victimless crime laws, that is, laws that designate crimes where there are no victims. It is increasingly seen that attempts at enforcement of these laws can only bring about hardship and a virtual police state. The time is fast approaching when prohibitionism in areas of personal morality will be seen to be as ineffective and unjust as it was in the case of alcohol.

Along with the disastrous consequences of statism on the economic and social fronts, there came the traumatic defeat in Vietnam, culminating in 1975. The utter failure of American intervention in Vietnam has led to a growing reexamination of the entire interventionist foreign policy that the United States has been pursuing since Woodrow Wilson and Franklin D. Roosevelt. The growing view that American power must be cut back, that the American government cannot successfully run the world, is the “neoisolationist” analogue of cutting back the interventions of Big Government at home. While America’s foreign policy is still aggressively globalist, this

For a New Liberty

neoisolationist sentiment did succeed in limiting American intervention in Angola during 1976.

Perhaps the best sign of all, the most favorable indication of the breakdown of the mystique of the American State, of its moral groundwork, was the Watergate exposures of 1973–1974. It is Watergate that gives us the greatest single hope for the short-run victory of liberty in America. For Watergate, as politicians have been warning us ever since, destroyed the public's "faith in government"—and it was high time, too. Watergate engendered a radical shift in the deep-seated attitudes of *everyone*—regardless of their explicit ideology—toward government itself. For in the first place, Watergate awakened everyone to the invasions of personal liberty and private property by government—to its bugging, drugging, wiretapping, mail covering, agents provocateurs—even assassinations. Watergate at last desanctified our previously sacrosanct FBI and CIA and caused them to be looked at clearly and coolly. But more important, by bringing about the impeachment of the President, Watergate permanently desanctified an office that had come to be virtually considered as sovereign by the American public. No longer will the President be considered above the law; no longer will the President be able to do no wrong.

But most important of all, government *itself* has been largely desanctified in America. No one trusts politicians or government anymore; all government is viewed with abiding hostility, thus returning us to that state of healthy distrust of government that marked the American public and the American revolutionaries of the eighteenth century.

For a while, it looked as if Jimmy Carter might be able to accomplish his declared task of bringing back people's faith and trust in government. But, thanks to the Bert Lance fiasco and to other peccadilloes, Carter has fortunately failed. The permanent crisis of government continues.

The conditions are therefore ripe, now and in the future in the United States, for the triumph of liberty. All that is needed is a growing and vibrant libertarian movement to explain this systemic crisis and to point out the libertarian path out of our

government-created morass. But, as we have seen at the beginning of this work, that is precisely what we have been getting. And now we come, at last, to our promised answer to the question we posed in our introductory chapter: Why *now*? If America has a deep-seated heritage of libertarian values, why have they surfaced *now*, in the last four or five years?

Our answer is that the emergence and rapid growth of the libertarian movement is no accident, that it is a function of the crisis situation that struck America in 1973–1975 and has continued ever since. Crisis situations always stimulate interest and a search for solutions. And this crisis has inspired numbers of thinking Americans to realize that government has gotten us into this mess, and that only liberty—the rolling back of government—can get us out. We are growing because the conditions are ripe. In a sense, as on the free market, demand has created its own supply.

And so that is why the Libertarian party received 174,000 votes in its first try for national office in 1976. And that is why the authoritative newsletter on Washington politics, *The Baron Report*—a report that is in no sense libertarian-oriented—denied in a recent issue, media claims of a current trend toward conservatism in the electorate. The report points out, to the contrary, that “if any trend in opinion is evident, it’s toward libertarianism—the philosophy that argues against government intervention and for personal rights.” The report adds that libertarianism has an appeal to both ends of the political spectrum: “Conservatives welcome that trend when it indicates public skepticism over federal programs; liberals welcome it when it shows growing acceptance of individual rights in such areas as drugs, sexual behavior, etc., and increasing reticence of the public to support foreign intervention.”⁷

⁷*The Baron Report* (February 3, 1978): 2.

TOWARD A FREE AMERICA

The libertarian creed, finally, offers the fulfillment of the best of the American past along with the promise of a far better future. Even more than conservatives, who are often attached to the monarchical traditions of a happily obsolete European past, libertarians are squarely in the great classical-liberal tradition that built the United States and bestowed on us the American heritage of individual liberty, a peaceful foreign policy, minimal government, and a free-market economy. Libertarians are the only genuine current heirs of Jefferson, Paine, Jackson, and the abolitionists.

And yet, while we are more truly traditional and more rootedly American than the conservatives, we are in some ways more radical than the radicals. *Not* in the sense that we have either the desire or the hope of remoulding human nature by the path of politics; but in the sense that only we provide the really sharp and genuine break with the encroaching statism of the twentieth century. The Old Left wants only more of what we are suffering from now; the New Left, in the last analysis, proposes only still more aggravated statism or compulsory egalitarianism and uniformity. Libertarianism is the logical culmination of the now forgotten "Old Right" (of the 1930s and '40s) opposition to the New Deal, war, centralization, and State intervention. Only we wish to break with *all* aspects of the liberal State: with its welfare *and* its warfare, its monopoly privileges *and* its egalitarianism, its repression of victimless crimes whether personal *or* economic. Only we offer technology without technocracy, growth without pollution, liberty without chaos, law without tyranny, the defense of property rights in one's person *and* in one's material possessions.

Strands and remnants of libertarian doctrines are, indeed, all around us, in large parts of our glorious past and in values and ideas in the confused present. But only libertarianism takes these strands and remnants and integrates them into a mighty, logical, and consistent system. The enormous success of Karl Marx and Marxism has been due not to the validity of his ideas—all of which, indeed, are fallacious—but to the fact

A Strategy for Liberty

that he dared to weave socialist theory into a mighty system. Liberty cannot succeed without an equivalent and contrasting systematic theory; and until the last few years, despite our great heritage of economic and political thought and practice, we have not had a fully integrated and consistent theory of liberty. We now have that systematic theory; we come, fully armed with our knowledge, prepared to bring our message and to capture the imagination of all groups and strands in the population. All other theories and systems have clearly failed: socialism is in retreat everywhere, and notably in Eastern Europe; liberalism has bogged us down in a host of insoluble problems; conservatism has nothing to offer but sterile defense of the status quo. Liberty has never been fully tried in the modern world; libertarians now propose to fulfill the American dream and the world dream of liberty and prosperity for all mankind.

I think that the libertarian resolution of this problem would be similar. Libertarian victory is inevitable in the sense that objective breakdowns of statism are bound to intensify, and also that such breakdowns will tend to give impetus to the growth of libertarian ideas and activists; but, with our belief in individual freedom of will, it is clear that the free and voluntary adoption of libertarian ideas is not determined and therefore cannot be inevitable in the strict sense. Long-run optimism for libertarians is rational, but victory hardly takes on the status of an inevitably determined event.

In any case, considering the nature of the current libertarian movement, there is no danger of passivity arising from excessive optimism.

14. The Influence of Radical Ideas

I have touched repeatedly on the concept of cadre. Let us now consider the concept in more detail: specifically, who are the cadre, how is it generated, and what are the proper relations between cadre and various groups of non-cadre?

The cadre are the pure and consistent libertarians. (For a discussion of various degrees of libertarians, of the pyramid of ideology, see below). In the first place, libertarianism is a set of ideas, and hence the original cadre are bound to be largely intellectuals, people who are professional or semi-professional dealers in abstract ideas. Mises and Hayek have pointed out how ideas filter out from original theoreticians to scholars and followers, to intellectuals as dealers in general ideas, to the interested public. Thus, in the cadre, the body of intellectuals is of prime importance in influencing the general

public, and the handful of systematic theoreticians is of decisive importance in influencing and moulding the general intellectuals. Of course, the ideas of intellectuals are removed in time from the attitudes held by the general public, and the systematic theories of scholars or political philosophers are still further removed in time, so that emphasis on intellectuals and scholars does not have an immediate "payoff" in social action; but their influence is far more powerful in the long-run than immediate concentration on the public or on political action. In an apt analogy with Austrian capital theory, Walter Grinder has called this the "increased productivity of roundabout, or longer, processes of intellectual production".

We are all familiar with Keynes' famous conclusion to his General Theory:

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil. 60*

60* John Maynard Keynes, The General Theory of Employment Interest and Money (New York: Harcourt, Brace, 1936), pp. 383-84.

The baleful influence of Keynes' own work in the last forty years has been eloquent testimony to his own point.

In his seminal essay, "The Intellectuals and Socialism", F. A. Hayek has put these points more profoundly. He begins by pointing to the socialist trends of this century. But "Socialism has never and nowhere been at first a working-class movement. It is by no means an obvious remedy for an obvious evil which the interests of that class will necessarily demand. It is a construction of theorists, deriving from certain tendencies of abstract thought with which for a long time only the intellectuals were familiar; and it required long efforts by the intellectuals before the working class could be persuaded to adopt it as their programme". 61*

61* F. A. Hayek, "The Intellectuals and Socialism", in Studies in Philosophy, Politics and Economics (Chicago: University of Chicago Press, 1967), p. 178.

We might add that Marx and Engels themselves were scarcely members of the working class which they exalted, and neither were Lenin, Castro, et al. 62*

62* The predominance of bourgeois intellectuals among their leaders and earliest members has always been a source of some embarrassment for Marxists. Karl Mannheim tried to resolve this problem of Marxian leaders coming from the "wrong" class by creating a new, class-free category of "free-floating intellectuals" who are able to transcend their class background. Thus, see Karl Mannheim, "The Sociological Problem of the 'Intelligentsia'", in George B. deHuszar, ed., The Intellectuals (Glencoe, III, The Free Press, 1960), pp. 52-68, and deHuszar, ibid., p. 53.

Hayek then proceeds to consider the dominant influence that the handful of systematic philosophers have over the general body of intellectuals.

... the philosopher is in more than one sense a sort of prince among the intellectuals. Although his influence is further removed from practical affairs and correspondingly slower and more difficult to trace than that of the ordinary intellectual, it is of the same kind and in the long run even more powerful than that of the latter. It is the same endeavour towards a synthesis, pursued more methodically, the same judgment of particular views in so far as they fit into a general system of thought rather than by their specific merits, the same striving after a consistent world-view, which for both forms the main basis for accepting or rejecting ideas. For this reason the philosopher has probably a greater influence over the intellectuals than any other scholar or scientist ... 63*

63* Hayek, *Studies*, p. 185. On the crucial role of "middlemen-intellectuals" in diffusing ideas, see Fritz Redlich, "Ideas: Their Migration in Space and Transmittal Over Time", *Kyklos* (1953), pp. 301-322. The Redlich article is an interesting attempt to set forth a systematic typology of the transmittal of ideas.

The theme of the remainder of Hayek's article is that the influence of socialism has stemmed from the socialists' offer of a systematic world-view, a general body of seemingly consistent ideas which can serve the intellectuals and the public as a guide and benchmark. In contrast, the negligible modern influence of classical liberals stems from the fact that, after achieving partial success by the mid-19th century, the liberals in effect abandoned their general system and goals in behalf of piecemeal and detailed reforms. In short, they had bartered the general set of radical ideas which had carried them part-way to their goal, in exchange for short-run influence with "practical" men of affairs. The result was an ultimate loss of intellectual support for liberalism, and hence ultimate loss of all influence on the very public affairs they had eagerly sought to guide.

Interestingly, Hayek points out that radical general systems of thought are most likely to appeal to both intellectuals and the young:

Speculations about a possible entire reconstruction of society give the intellectual a fare much more to his taste than the more practical and short-run considerations of those who aim at a piecemeal improvement of the existing order. In particular, socialist thought owes its appeal to the young largely to its visionary character; the very courage to indulge in Utopian thought is in this respect a source of strength to the socialists which traditional liberalism sadly lacks. This difference operates in favour of socialism, not only because speculation about general principles provides an opportunity for the play of the imagination ... but also because it satisfies a legitimate desire for the understanding of the rational basis of any social order and gives scope for the exercise of that constructive urge for which liberalism, after it had won its great victories, left few outlets. The intellectual, by his whole disposition, is uninterested in technical details or practical difficulties. What appeals to him are the broad visions, the specious comprehension of the social order as a whole which a planned system promises.. 64*

64* Hayek, *Studies*, p. 189.

As for the classical liberals,

Once the basic demands of the liberal programmes seemed specified, the liberal thinkers of the old type turned to problems of detail and tended to neglect the development of the general philosophy of liberalism, which in consequence ceased to be a live issue offering scope for general speculation. Thus, for something over half a century, it has been only the socialists who have offered anything like an explicit programme of social development, a picture of the kind of future society at which they were aiming, and a set of general principles to guide decisions on particular issues.. Even though, if I am right, their ideals suffer from inherent contradictions ... It is because theirs has become the only explicit general philosophy of social policy held by a large group, the only system of theory which raises new problems and opens new horizons, that they have succeeded in inspiring the imagination of the intellectuals. 65*

65* Hayek, *Studies*, p. 190.

As a result, Hayek adds, the actual developments of society were determined, "not be a battle of conflicting ideals", but by the contrast between the existing status quo and the "one ideal of a possible future society held up" by the socialists. Hence, the

other programs offered to the public were varying degrees of compromise between the status quo and the socialist ideal, so that the inevitable broad "middle-of-the road", and society in general, was pushed constantly in a socialist direction. "There seemed to exist only one direction in which we could move, and the only question seemed to be how fast and how far the movement should proceed". Amen!

In the meantime, the classical liberals were trapped by their alliance with the "practical" men, into forswearing any sort of radical general principles and sticking to the practical short-run details, with ultimately disastrous results. As Hayek puts it:

Whatever power he has to influence practical decisions he (the classical liberal) owes to his standing with the representatives of the existing order, and this standing he would endanger if he devoted himself to the kind of speculation which would appeal to the intellectuals and which through them could influence developments over longer periods. In order to carry weight with the powers that be he has to be "practical", "sensible", and "realistic". So long as he concerns himself with immediate issues he is rewarded with influence, material success, and popularity with those who up to a point share his general outlook. But these men have little respect for those speculations on general principles which shape the intellectual climate. Indeed, if he seriously indulges in such long-run speculation he is apt to acquire the reputation of being "unsound" ... because he is unwilling to identify the existing order with the free system at which he aims. 66*

66* Hayek, Studies, p. 191.

Hayek concludes his essay with an inspiring call for the necessity of a new, Utopian radical classical liberalism:

... we must be able to offer a new liberal programme which appeals to the imagination. We must make the building of a free society once more an intellectual

adventure, a deed of courage. What we lack is a liberal Utopia, a programme which seems neither a mere defence of things as they are nor a diluted kind of socialism, but a truly liberal radicalism which does spare the susceptibilities of the mighty ..., which is not too severely practical and which does not confine itself to what appears today as politically possible. We need intellectual leaders who are prepared to resist the blandishments of power and influence and who are willing to work for an ideal, however small may be the prospects of its early realization. They must be men who are willing to stick to principles and to fight for their full realization, however remote ... The main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals and thereby an influence on public opinion which is daily making possible what only recently seemed utterly remote. Those who have concerned themselves exclusively with what seemed practicable in the existing state of opinion have constantly found that even this has rapidly become politically impossible as the result of changes in a public opinion which they have done nothing to guide. Unless we can make the philosophic foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark. But if we can regain that belief in the power of ideas which was the mark of liberalism at its best, the battle is not lost. 67*

67* Hayek, Studies, p. 194.

Naturally, I am convinced that it is precisely we libertarians who have that inspiring, adventurous, consistent, radical fulfillment of classical liberalism to offer to intellectuals and to mankind. We are the answer to Hayek's call.

15. The Failure of Classical Liberalism

Among twentieth-century classical liberals, there has been a great deal of pondering of why classical liberalism, so vibrant and increasingly triumphant in the eighteenth and nineteenth centuries, began to fade in the last half of the nineteenth, and

die out in the twentieth. What went wrong? I am convinced that Hayek has his finger on the nub of the problem. In the eighteenth and first half of the nineteenth centuries, the classical liberals were not only a consistent intellectual movement. They were leaders of a genuine mass movement; indeed, they led the masses in their attack on the aristocratic-monarchical Old Order. In the seventeenth century at the beginning, the Levellers; in the eighteenth century in England, the Prices and Priestleys, in America the Sam Adamses, Henrys and Paines, in nineteenth century England the James Mills and the Radicals, in America the Jacksonians, were conscious leaders of a mass movement. They were not afraid of bringing the masses into social and political action, because they realized that the interests of the masses were in opposition to their exploitation by the old oligarchic elite. In contrast, of course, conservatives have always feared the masses and have identified as their biggest enemy, not the State and its ruling classes (as did the early liberals) but the masses themselves. For to the Conservatives, the good is tradition, oligarchy, and the Old Order of Throne-and-Altar, and the masses moving directly can only pose a threat to that order. The successful radicals in the modern world, from Sam Adams and Patrick Henry to the Jacksonians to James Mill and Cobden and Bright, to Lenin, Mussolini, Hitler, and Mao, were all people who believed that the masses should rightly be on their side and set about to make that vision come true.

But, by the mid-nineteenth century, the English classical liberals, for example, began to sit on the laurels of their partial

triumphs, and to begin concentrating, as Hayek points out, on niggling short-run details rather than on their broad world-view. In particular, they abandoned natural rights and moral principles for utilitarianism and ad hoc cost-benefit and efficiency analyses of specific, concrete issues. With the Civil War and the end of the Jacksonian movement, a similar process occurred in the U.S. In short, by the latter half of the nineteenth century, classical liberalism had become conservative rather than radical, ad hoc rather than systematic, efficiency and "practical"-oriented rather than moral. As a result, they allowed the new socialist movement to replace them as the "Left", the Party of Movement, the Party of Hope and Ideals, and the classical liberals increasingly took their place as mere conservatives, fighting a desperate and in the long run hopeless rearguard action against the rising socialist and neo-mercantilist tide. As I put it in "Left and Right: the Prospects for Liberty": "Thus, with liberalism abandoned from within, there was no longer a Party of Hope in the Western world, no longer a 'Left' movement to lead a struggle against the State and against the unbreached remainder of the Old Order. Into this gap, into this void created by the drying up of radical liberalism, there stepped a new movement: socialism". 68*

68* Rothbard, Egalitarianism, p. 18. In the late nineteenth century, Lord Acton understood this problem. Contrasting (radical) "Liberalism" with "practical" conservative Whiggism, he wrote: "The Whig governed by compromise. The Liberal begins the reign of ideas ... One is practical, gradual, ready for compromise. The other works out a principle philosophically. One is a policy aiming at a philosophy. The other is a philosophy seeking a policy". Gertrude Himmelfarb, Lord Acton (Chicago: University of Chicago Press, 1962), p. 209.

This inner failure of classical liberalism is being replicated in today's heirs of English classical economics: the Chicago School. While Friedman and the Chicago School have had great influence over professional economics, they are unlikely to have much influence outside of that important but narrow sphere. For their emphasis, in Friedman and even more in his followers such as Becker, Peltzman, Alchian, Tullock et al. is not at all on general principles, let alone on moral principles, but on ad hoc empirical and mechanistic analyses of concrete issues, and strictly on efficiency and cost-benefit grounds. Hence, they are committing the same errors as did the classical economics and liberals (in a more mechanistic form), and are bound to meet the same long-run fate. This sort of world-view cannot inspire either youth, the run of intellectuals or the general public. Note, for example, how much more inspiration for youth, intellectuals and the general public outside of professional economics, has already been wielded by Mises and the Austrians, with their emphasis on general consistent principles and on the purposive, living individual; and by Rand, with her emphasis on moral principles and natural rights. Outside of professional economics, the wave of the future libertarian influence lies with consistent moral and general economic principles, rather than with mathematical or statistical cost-benefit analysis of concrete issues.

There is another basic reason for the internal collapse of classical liberalism, which is all too relevant to today's movement. Namely, that while generally sound and consistent on "domestic" issues, the classical liberals were split in two whenever the Old Order raised the issues of war, militarism, empire,

and foreign policy. For while seeing the nature of the State plain in internal affairs, many if not most of the liberals were never able to cast off their reverence for the State in foreign affairs; the State as militarist and war-monger. In short, the virus of State-patriotism was still there. Not, it must be said, in such people as Cobden and Bright, Labouchere, Spencer, Eugen Richter in Prussia, or William Graham Sumner in the U.S. But for enough people to split the liberal movement and bring much of it into the nationalist and pro-war camp, wrecking it forever. In Great Britain, the classical liberals were destroyed by whooping it up for Empire and then World War I; in Prussia, half the liberals endorsed Bismarck's militarist program of unifying Germany through a conquest; in the U.S. there were few classical liberals to oppose entry into World War I. 69*

69* On nationalism, militarism, and imperialism as the prime factor in the defeat of nineteenth century laissez-faire liberalism, see Ralph Raico, "Liberal Revolutions in Europe in the 19th Century", (unpublished MS., 1976). In addition there is the replacement of natural rights by utilitarianism, as mentioned above, and the corollary Benthamite devotion to a centralized bureaucracy as against "inefficient" decentralized and diverse forms within a nation. On all these elements, and on virulent anti-Catholicism within the British laissez-faire movement leading to the crumbling of laissez-faire Radicalism on the Irish Question, see Thomas William Heyck, *The Dimensions of British Radicalism: The Case of Ireland 1874-95*. (Urbana, Ill.: University of Illinois Press, 1974).

We see the same process at work in the current libertarian movement, when the Rands and the Hosperses whoop it up for war against Russia or Communist or even Arab countries; we see it in the general failure of libertarians to apply their principles and their anti-State attitudes to foreign policy and to domestic militarism.

Returning to Hayek for a moment, I think it instructive to consider ^{his} own personal and psychological optimism and pessimism over the years. For, ever since the collapse of Austrian economics in Britain in the teeth of the Keynesian onslaught in the mid-1930's, Hayek had been totally isolated, surrounded by socialists and statist. Is it any wonder that he was personally pessimistic, himself fighting a rearguard action against the "road to serfdom"? Furthermore, is it too far-fetched to point out that Hayek's personality was, in those days, gloomy, aloof, isolated? When he taught, still isolated, at the University of Chicago in the 1950's and 60's, he paid no attention whatever to the few admiring students he had, and even later tried to justify this behavior by saying that he "never tried to found a school of thought". (In an unpublished statement to the Volker Fund, which once asked questions about the general stance of the libertarian thought-leaders of that era.)

But consider what has happened to Hayek since 1974, when he coincidentally received the Nobel Prize, a recognition long due him, and also discovered even more radical admirers in his summer at the IHS. It is clear that Hayek, after decades of isolation among socialists and statist, enjoys greatly being affectionately criticized as semi-socialistic by young libertarian economists! Furthermore, his own personality has become markedly optimistic, expansive, happy, and outgoing, and his thinking has become visibly and admittedly more radical and libertarian! In short, Hayek, happy to be bathed in an atmosphere of libertarians even more consistent than himself, becomes optimistic because he now sees himself as part of a libertarian intellectual movement,

and allows himself to be pushed gently in a more radical direction by that movement. Here should be an instructive lesson in the great value of having a movement, a self-conscious cadre, learning from each other, reinforcing each other, and moving onward therefore in high hope. For Hayek to become so transformed in his 70's is a high tribute to himself as well as to the value of having such a cadre and movement.

16. The Cadre, Coalitions, and the Pyramid of Ideology

Every idea necessarily begins with one person -- or, at most, is independently discovered by a few. Therefore, any new ideological movement necessarily begins as a tiny grouplet, a mere handful of friends. Consequently, the early progress of the movement is necessarily slow; the number of converts is minuscule and the amount of effort in obtaining that conversion is extensive. In short, any cadre must necessarily begin slowly with a tiny handful. A few rare individuals arrive at their own conversion in a self-contained way; but the vast majority have to be converted by others -- either directly, through personal contact, or indirectly, through books or lectures. At first the movement will be encompassed by a few living-rooms or salons, then if the movement grows, there will be the stage of local "discussion circles", which Lenin finally saw the opportunity to transcend in forging a nation-wide movement. So while Marxists believe that all working class members should be Communists, and libertarians believe that all non-State members of the public should be libertarians, at any given time in the state of the movement, this will not be so. Some people will have seen the light, and others will not.

Hopefully, then, the cadre begins as a tiny few and then grows in quantity and impact. But what should be the proper relationship between cadre and non-cadre? First, we might put forward the concept of the "pyramid of ideology". For while "cadre" and "non-cadre" may be a first approximation to the real world situation, the actual condition at any given time is akin to a pyramid: with the cadre at the top of the ideological pyramid as the consistent and uncompromising ideologists, and then with others at lower rungs in possession of varying degrees of approximation to the truth. Since, usually, people become cadre by making their way up the various steps or stages of the pyramid — from totally non-libertarian to complete libertarian — some rapidly, some slowly, this implies that the stages will assume a pyramid form, with a smaller number of people at each higher stage.

The major task of the cadre, then, is to try to get as many people as high up the pyramid as possible. From this task, there follows the importance of ideological coalitions, of working with allies on various ideological issues. In this way, Lenin and the Bolsheviks worked within the Soviets with other Marxists, or with the peasants against the old regime, or with the broad masses of Russians who wished to leave the World War as quickly as possible. A coalition — or what the Marxist-Leninists call a "united front" strategy — accomplishes several things. In the first place, it maximizes the influence of the numerically small cadre on important social issues, and does so by allying oneself with people who agree on that particular issue, albeit on few others.

Which issues the cadre chooses to form alliances and work on depends on a judgment of importance in relation to the real-world context at the given time and place. Thus, it would be an evident waste of time and energy for current libertarians to find shipping interests with whom we could make a united front agitation in the cause of denationalizing lighthouses. But coalition strategies for: repealing OSHA or the income tax, or legalizing marijuana, or (in the late 60's) pulling out of the Vietnam War or repealing the draft, might have a high priority in the mass agitation of the libertarian movement.

While using coalitions with numerically larger allies on concrete issues, the libertarian cadre is also pursuing a double strategy: namely, to recruit more people, if not for top cadre immediately, at least for a few rungs up the libertarian pyramid. These recruits can come from the allies themselves, or from the mass of the public who are being informed about the specific issues. Normally, the proper tactic will be to begin with the concerns of the people being worked on, to show that you are with them on this particular issue, and then to "widen their libertarian consciousness" by showing them that to be really consistent on the issues they favor they must also adopt the other libertarian positions. Thus, while working with left-wing civil libertarians on common issues, it can be pointed out to them that libertarians are the only consistent civil liberties advocates, that personal freedom cannot exist without private property rights, etc. Similarly, conservative advocates of free enterprise can be shown that outlawing pornography or drugs violates the very system of private property and free enterprise that they profess to favor.

Tom Palmer has recently put very well the difference in approaches toward prospective allies between the proper centrist, movement-building approach on the one hand, as against the Left-Sectarians and Right-Opportunists on the other:

Left-Sectarianism, according to Lenin, is the view that no alliances, dialogues, etc. should ever be made with similarly inclined groups, as this would be a "compromise". In their desire to remain purist this strategy would rule out any chance of ultimate success. An example of this viewpoint would be the libertarian who, when addressing a group of business people, rather than "sizing up" his audience and stating the case for liberty in as convincing a manner as possible, would, instead, declare that if you don't want heroin vending machines, you are an enemy of liberty and the hell with you. A Right-Opportunist, contrarily, would not mention the libertarian arguments for legalization of activities deemed worthy of restrictive legislation and would, instead, speak only to those issues on which he and the audience were in agreement, hoping to enlist their support for one project or another to roll back government. The most effective approach, I believe ... would run something as follows: government regulation of small business is bad; we should realize that government regulation of drug use is another manifestation of "Big Brotherism"; and if drug users and business people wish to be free, they must adopt a policy of live and let live toward each other, etc.; thus going from specific cases to general principles and then applying these principles to areas which would at first have seemed absurd to those listening, giving empirical analyses of costs and benefits to back up the general principle enunciated by the speaker.

70*

70*—Tom G. Palmer, "Toward a Libertarian Movement", The Libertarian Forum (November, 1976), p. 6.

I have indicated above that one of the strengths of libertarianism is that we have a clear-cut, two class "good guy vs. bad guy" dichotomy, that we have a clear concept of the Enemy. How do we distinguish between non-cadre who are The Enemy and people who may be potential allies or movers up the ideological pyramid? In theory, our answer is clear-cut: rulers of the State are The Enemy, oppressed citizens who have not yet seen the light

are the potential future cadre or movers up the libertarian pyramid. In practice, the answers will be sometimes clear and at other times fuzzy, and here again, judgment and "ideological entrepreneurship" must be employed. Thus, it is clear that Nelson Rockefeller, John Gardner, John K. Galbraith, and the head of General Dynamics, are not about to march up the good-guy ladder. Mao Tse-tung, in his essay "On the Correct Handling of Contradictions Among the People", has come up with a useful distinction here: between "antagonistic contradictions", where the cadre and those with differing views are at genuine and basic loggerheads; and "non-antagonistic contradictions", where those who differ really agree at bottom, and where the two groups should engage in friendly discussion and persuasion. 71*

71* Mao Tse-tung, "The Correct Handling of Contradictions Among the People", Quotations from Chairman Mao Tse-tung (Peking: Foreign Languages Press, 1972), pp. 45-57.

Of course, there are pitfalls in a coalition strategy that must be guarded against. In the late 1960's, I issued a call for a libertarian alliance with the New Left, on the twin vital issues of the day of opposition to the draft and to the Vietnam War (with subsidiary emphasis on opposition to the public school system.) As will be discussed further below in an analytic history of the modern libertarian movement, I still think that this basic thrust was necessary — especially to generate a sharp and radical break with the libertarian movement's parent of that time: the conservative movement. But the problem was that many of our young, tiny cadre, upon cooperating with the Left, became Leftists, losing their libertarian grip.

In pondering the question: what happened? I think it clear that the major problem was that the libertarian movement was still tiny and minuscule; there was virtually no cadre but only a few discussion circles, and throwing these people into a vastly more numerous New Left movement meant that many of the younger and less-tempered souls would defect from liberty. The conversion, too, was not so much through theoretical discussion and conviction as it was through action, through street fighting or at least talking feverishly about street fighting.

In short, the libertarian movement at that time had two grave weaknesses that left us wide open for such defection: (1) it was very small, and therefore had no self-conscious cadre, no organs of opinion, no mutually reinforcing cadre to talk to and deal with, and (2) partly as a result of this tiny size, the libertarian movement of that day had no activity with which to attract young and eager cadre or quasi-cadre members. Many is the time when a new convert to the libertarian system would ask me: OK, now I'm a libertarian, what can I do about it? What activity can I perform? There was no answer. If a person were a budding young scholar, he could go to graduate school and join the educational wings of the movement; but what if he was not? As a result, the number of defections from cadre, not just to the New Left but to dropping out altogether, were legion. This again highlights the wisdom of the Marxist emphasis on a unity of theory and action, on providing for both essential functions in order to have a growing, inspired, and flourishing movement. The above example of the inspiring of Hayek through discovering a movement is the reverse side of the coin of this problem of drop-out and

defection. And this is one of the main reasons why the Libertarian Party has been such a vital and important development in the last few years: that it has given to eager young (and older) libertarians a wide and open-ended field for continuing an energetic activity. In short, because of the LP, we have become a genuine movement rather than just a small group of thinkers and talkers (as important as the latter functions may be).

The importance of a cadre as mutual reinforcement highlights the fallacy of a criticism often heard in the libertarian as well as Marxist movements: "that we are only talking to ourselves". The implication is that movement people should only be talking to others, to work on their conversion. But "talking to ourselves" is also extremely important: to educate the movement ("internal education"); to advance the discipline of libertarianism, to discuss strategy, tactics, and our relationship to the outside world; and, not the least, to reinforce and encourage each other in the protracted struggle ahead — to thereby work against isolation, discouragement, and defection. Aileen Kraditor put the case very well:

The abolitionists recognized also that they must continually reinforce their own commitment to their cause. The frequent meetings and intragroup journals of any movement for change serve an indispensable function even when they repeatedly pass the same resolutions and proclaim familiar truths to the already committed. These activities help to assure members that they are part of a group with a historic mission, are not fighting alone, and have somewhere to go and others to turn to when public opprobrium weakens their dedication.

72*

72* Kraditor, Means and Ends, p. 236.

In his strategy paper, Charles Koch asks: "Under what conditions should radical ideas be introduced gradually and tactfully,

and when should they be advocated starkly for shock value. 73*

73* Charles G. Koch, "The John Birch Society", (unpublished MS., 1976), p. 17.

I think the answer is that opportunities for these and other paths toward conversion must be kept open by any movement. In short, most people probably move gradually and step-by-step up the pyramid. In their most successful period of intellectual and mass influence in the United States (the late 1930's and early 1940's -- the "Popular Front" era) the Communist Party ably pursued the strategy of organizing ad hoc "front" organizations by which it could multiply its leverage through the use of more numerous allies, sympathizers, and "fellow travellers", and by working with these allies in the fronts to move them up the Marxist pyramid toward, and often directly into, the Communist Party. The fronts ranged from low-level humanitarian endeavors such as Milk for Loyalist Spain, to far more ideological groups of writers, trade union members, etc. But while fronts were maintained for leverage and for step-by-step recruitment, the Communists were careful also to maintain an "open center" where people could go who became Communists very rapidly, skipping many of the stages, or who had virtually converted themselves all along and just needed to hear of the existence of an organized ideology and movement for them to sign up. And so there would always be an open Communist Party local, and a Communist Party newspaper to recruit and organize all the fully advanced cadre, and to provide a beacon for those who were, in isolation, ready all along.

For the contemporary libertarian movement, I think it particularly important to maintain such open centers. For I am convinced

that, for many reasons, including the libertarian heritage that is partially imbibed by most Americans, there are many people who are "instinctively" and inchoately libertarian and don't know it, and who only need a few open reiterations of the pure radical creed to join up. Finding the movement becomes extremely important for isolated actual or potential cadre. In the late 1940's and for years afterwards, for example, FEE provided the enormous service of being the only open center for laissez-faire in existence, and I vividly remember the vital importance to me and other young libertarians of discovering libertarian ideas and persons through FEE, and the effect this stimulus and reinforcement had in radicalizing our own positions. Furthermore, many of the personal conversions I have been able to accomplish were of individuals who had achieved all but one step of the way on their own; it then became easy to convert them by simply pointing out the final logically consistent step. In short, they had converted themselves through thinking and reading, almost all the way; just one slight push was then needed to complete the task. It would be tragic for a movement not to have open centers for the pure radical creed, and thereby lose these potential libertarians who had all but converted themselves. 74*

74* Thus, Fritz Redlich stresses the importance of a person's mind being already prepared, in order to convert to an idea, or to grasp its significance. "... to be effective the ideas incorporated in an objectification (e.g., a book) must meet a well prepared mind. Discovered by the latter a piece of junk may turn out to be a masterpiece; what is but an ordinary stone to a layman may be a most interesting artifact to the student of pre-history. Ideas embodied in an objectification do not speak to the ignoramus". Redlich, "Ideas Migration", p. 310.

In addition to the importance of radical open centers, the starkly but radical case often has shock value in accelerating the conversion of readers and listeners -- especially among those groups most open to new ideas, and most charmed by radical consistency and iconoclasm: notably students, youth in general, and intellectuals. Youthful iconoclasm, student fascination with new ideas and critiques of their intellectual elders, and the devotion that Hayek mentioned to Utopian general systems by intellectuals, all reinforce this point. Young cadre like Jerry O'Driscoll and Ralph Fucetola were converted from ardent conservatism to libertarianism by this kind of shock tactic. And Walter Block has had great success with his students in championing the seemingly "worst cases" of non-aggressive, voluntary activity. Another important value of shock tactics is to perform fairly rapidly what the behavioral psychologists call "desensitization", where a phrase or an idea may shock on first hearing, but on repeated hearings it will first lose its shock value, and then the listener will become habituated to it, and finally he will be able to see some merit in the idea.

Thus, our conclusion is confirmed of the importance of many different "propaganda" and conversion tactics in different facets of the movement.

17. Radical in Content, Conservative in Form

It is probable, however, that this kind of shock tactic will not work for most people, who will be converted more gradually. This is particularly true when the libertarian is working, not face to face and individually where he can gauge his listeners, but in mass agitation. In such mass propaganda,

it is probably the best tactic to use the more gradual approach of beginning at the level of interest and consciousness of the mass readers or listeners and then widening their consciousness to general libertarian principles from that point. In this sort of educational effort, another wise rule would be not to shock the listeners by being unduly radical in form. In short, libertarian principles are radical enough without needlessly alienating listeners by being radical in form -- that is, in ways that are not related to libertarian principle. Thus, the cultivation of bizarre manners, labels, antagonistic hostility to the public and to the bourgeoisie in general, can only be needlessly counter-productive.

Many youthful libertarians have arrived at their position not on rational grounds, but solely or largely to aggravate society at large, in the marvellous French phrase, to "épater la bourgeoisie". But we must realize that since our appeal is to the entire public, and since most of the public is, or likes to think of itself as, "bourgeois", it is fatal to the libertarian cause to seek as our mass base the lumpen-youth, or bizarre, shiftless lumpen elements in general. It is sometimes a temptation to seek as our main body of support those who are most out of sorts with the status quo, who are generally the lumpen. But this would be a fatal error. For not only do such lumpen alienate -- and rightly so -- the mass of the bourgeois and even working class public, but also these lumpen have no social leverage or influence whatsoever. Just as the Marxists, and the Old Left in its criticism of the lumpen orientation of the New, scorn the lumpen as ineffectual and counter-productive, and seek

the support of the broad mass of workers as their "agency for social change", so should libertarians avoid the lumpen and seek the support of the broad mass of the public, middle class and workers alike.

Pertinent here is William Lloyd Garrison's sound reaction when one of his supporters, Charles C. Burleigh, was ridiculed for his unusual long hair and beard when he spoke at the 1850 convention of Garrison's American Anti-Slavery Society. Expressing his agreement with the content of Burleigh's speech but regret at his hair-style, Garrison wrote of his regret

because it is so wide a departure from customary usage as to excite general remark and provoke popular raillery, thus subtracting from his usefulness as a public lecturer ... We are not given to hair-splitting in matters pertaining to the head or chin, and despise a slavish conformity to fashion; but all things that are lawful are not always expedient. Where there is moral principle involved, it is sometimes wise to sacrifice what is convenient or agreeable to us, that no unnecessary obstacle may be thrown in the way of a great or good cause in which we may be engaged, and which has arrayed against it all that is formidable in universal apostacy, and inveterate in long cherished prejudice. 75*

75* Garrison, in The Liberator, May 24, 1850. Quoted in Kraditor, Means and Ends, p. 224. Also see ibid., p. 239.

I have summed up this position in the slogan, "radical in content, conservative in form". Since the libertarian position, for example, is in the tradition of the American Revolution and much of the American heritage, it is important to stress this continuity, this fulfillment that we seek of the original American dream. And in form, it is important, therefore, to cultivate a "respectable" rather than a kooky, lumpen image.

There is a corollary point raised by Charles Koch in his strategy paper. Most people — the broad bulk of the masses —

do not accept ideas because they have it through by rational conviction. They accept them on the basis of perceived "authority". As we have noted above, the contention that they should not do so, that this process is fallacious or immoral, that the "argument from authority" is rationally invalid, misses the entire point. Namely, that most people have neither the ability nor certainly the inclination or interest to think deeply about social or political problems. Just as they accept medical opinion because the latter are the "authority", so they tend to accept political ideas on a similar basis. The very nature of the division of labor in society insures that this situation will always prevail. Indeed, it is precisely because of this condition that the State has been able to maintain its exploitative rule over the centuries: by purchasing the alliance of intellectual "authorities" (originally the Church, now mainly secular intellectuals) who can gull the public into believing that the State's rule is necessary and beneficent.

Because of this fact, it becomes necessary that the libertarian movement and its leadership attain an image of "respectability" and authority that will induce the public to take them seriously and to hearken to their ideas. 76*

76* "People tend to accept theories and statements of 'fact' because of who states them and how they are presented rather than their validity; therefore, it is essential to develop the image and credibility of the movement's leaders". Koch, "Birch Society", p. 15. And Redlich writes: "To be a successful communicator (carrier of ideas) the would-be communicator should possess prestige among those to whom he transmits the ideas in question". Redlich, "Ideas Migration", p. 305.

By good fortune, and because of the high quality of the movement's spokesmen and candidates, the libertarian movement has been able

to attain a public image of respectability and impressive authority far greater, in truth, than it deserves, when we consider the bizarre and even lunatic ideas and people bubbling beneath the libertarian surface.

18. The Necessity of a Graded Hierarchy

Above, we discussed Lenin's discovery of the necessity for a centrally controlled movement, and its groundwork in Lenin's insight into the vital importance of the division of labor grounded in individual differences in dedication and ability. Our current discussion of the pyramid of ideology reinforces that conclusion. For if every ideological movement forms a pyramid from a broad base of slight sympathizers up to a small number of pure cadre, then it is vital for the cadre to be the leaders of the movement. Otherwise, if egalitarian participatory democracy holds sway, the cadre will be swamped amidst the mass of partial or slight followers, and the credo will be watered down to the least and lowest common denominator.

There is a corollary lesson here. For what we are dealing with, as I've stated above, is not "cadre" and "followers" but a gradation of degrees, in short a hierarchical order up the pyramid. It seems to me that the libertarian movement should also have hierarchical degrees of leadership, so that people with only slight knowledge enter the movement in a rank and file capacity, and then, as knowledge and dedication are improved and tested in activity, the person should be able to move up the ranks of the pyramid in conformity with the improvement in his ability and understanding. Eventually, and hopefully, he moves up into top

cadre-leadership posts. In this way, as his understanding, ability, and experience in the movement deepen, his scope of responsibility and leadership increases proportionately.

The Bolshevik party, the Fascist party, the Nazi party, all had gradations of leadership in their organizations. In fact, we can now see with greater clarity that one of Lenin's great accomplishments was simply to take the modern theory of organization, of hierarchy of ability and corresponding leadership, which had come to fruition in the corporation, and to introduce it, for the first time, in a movement for radical social change. 77*

77* Thus, Philip Selznick writes: "... the communist movement itself is composed of layers of adherents who, relative to a controlling group, functions as masses. First, there is the hard core of self-conscious agents within the party ... Their commitment is so deep that it need not be shored up by hatreds, by symbols, or by other forms of mass persuasion. These are the steeled cadres upon whom the continuity and the basic power of the party rest". Philip Selznick, The Organizational Weapon (New York: McGraw-Hill, 1952), pp. 83-84. On rank and file vis-à-vis cadre within the Communist Parties, see also Frank S. Meyer, The Moulding of Communists: The Training of the Communist Cadre (New York: Harcourt, Brace, 1961); for a corrective as well as generalization of some of Meyer's conclusions, see Murray N. Rothbard, "Frank Meyer on the Communist Bogey-Man), Left and Right (Spring-Summer, 1967), pp. 22-42.

That the Nazis understood the importance of hierarchical organization is made clear by Godfrey Pridham, who writes that "The nature of the Nazi Party's organization with its elaborate system of graded commands provided headquarters with a framework for controlling activities at the grass roots level. 78*

78* Pridham, Hitler's Rise to Power, p. 103. The colorful Nazi Gauleiter in Upper Franconia, Hans Schemm, wrote that "organization; if that does not happen, then it peters out without any effect". Ibid., p. 102.

Hitler also understood the importance of having a dedicated cadre within a broader party organization. Thus, he once spoke to the S.A. that "It is necessary to have something ... within the organization of the law of association (as) a further organization which carries through the Führer idea to the full degree in order to preserve the instrument of the unity of the movement against all attempts to destroy it". 79*

79* Pridham, Hitler's Rise to Power, p. 94.

Hitler was particularly impressed with the graded hierarchical organization of the Roman Catholic Church. A disgruntled former Nazi leader recorded in his diary a speech Hitler made in June 1930 before the party press:

The NSDAP should be built on the model of the Catholic Church. On a broad basis of preachers and "political clergymen" operating among the people, the leadership pyramid of the party should rise through the tiers of district leaders and Gau leaders to the senators and finally to its Führer-Pope. Hitler did not shun the comparison between Gau leaders and bishops and between future senators and cardinals, just as he unhesitatingly carried over the notions of authority, obedience and belief from the spiritual into the worldly field ...

80*

80* Pridham, Hitler's Rise to Power, p. 182. On Hitler's centralization of the NSDAP as soon as he took control of the party in 1921, see Orlow, History of the Nazi Party, pp. 33-38.

There is another great advantage to degrees of hierarchy in the movement, an advantage which also exists in the corporation. Namely, that the libertarian can earn visible rewards for good work (and visible punishments for bad). This, of course, is what the free market always does: to reward good and efficient work with higher income and profits, and to punish the bad with losses. One of the contributions of the behaviorist school of psychology

has been to demonstrate (in an unwitting analogy with the operations of the market) the important role in guiding human action of a "reinforcement" system of rewards and punishments, of positive and negative incentives in guiding their behavior.

One of the problems with the contemporary libertarian movement (e.g. the Libertarian Party) is that, probably because the personnel and funding are lacking, there is no hierarchical structure for bringing newcomers into the ranks, and then rewarding their good work and increasing dedication and understanding by moving them up in the hierarchy, until they eventually reach top cadre leadership status. The Libertarian Party structure is basically two-level: a rank-and-file, and then a tiny number of leaders (e.g. the state chairman, the state newsletter editor, etc.). What is needed is not a simple two-stage process, but a many-stage graded hierarchy of rank. Another corollary problem of the Libertarian Party might be a partial function of a legally imposed democratic structure. First, that anyone can become a party member, simply by signing a vague (and non-enforceable) pledge, and once a member he cannot be expelled; and second, that, therefore, every party member, regardless of how ignorant, un-libertarian, or moronic, is encouraged to think of himself as cadre, of being as good as any other libertarian. While through informal methods, good people in many cases (including the National Office) have managed to overcome these handicaps and assert their leadership, this success is often precarious, and in many state parties could not be accomplished. One of the advantages of a possible future Libertarian Society (see below) would be that this lack of a frankly graded hierarchy in the movement would at last be overcome.

The Communist parties have understood this insight, and have abandoned any attempt at egalitarian or participatory democratic parties. Every party member is not equal to every other (or almost every other). From the very beginning, the new party member knows his place: for he cannot become a full member right away. 81*

81* In the Fabian Society, too, one could not simply join the Society; one had to be proposed and seconded, and then one had to work to prove one's right to be a member. A candidate-member had to have two members who guaranteed that he was in accord with Fabian Society objectives; then, after he became a candidate-member, he was on probation for a year to see if he would do serious work for the Society. (Charles Koch?) "The Fabian Society" (unpublished MS., July, 1976), p. 1.

He must begin as a "candidate-member" and can only gain a right to be invited as a full member and, later, as a cadre member, by displaying two interrelated abilities and dedications over a period of time: learning and knowledge of Marxist theory, and participation in party activities. This stems from the Marxian insight that "theory" and "practice" (or "praxis" in the jargon) should never be divorced. What is needed is cadre who are able both in theory and in practice, for whom the one is never divorced from the other. Of course, the division of labor operates here too, and some Communists will end up with a major focus on theoretical work, and others on organizing or other activity. But the fact that everyone is trained and must prove himself in both, functions as a barrier against theory developed in isolation from knowledge of the real world context (such as is all too true of many contemporary libertarians) or against practical activity that slides into an opportunism divorced from the ultimate theoretical goal. In short, while the stress on "unity of theory and practice" has

not eliminated sectarian and opportunist deviations, this emphasis has kept them to a minimum.

Within the Communist movement, no clearer explanation of the concept of "unity of theory and practice" has been delivered than this well-known passage by George Dimitroff:

We Communists are people of action. Ours is the problem of practical struggle against the offensive of capital, against fascism and the threat of imperialist war, the struggle for the overthrow of capitalism. It is precisely this practical task that imposes upon the Communist cadres the obligation to equip themselves with revolutionary theory. For, as Stalin ... has taught us, theory gives those engaged in practical work the power of orientation, clarity of vision, assurance in work, confidence in the triumph of our cause. But real revolutionary theory is irreconcilably hostile to any emasculated theorizing, any futile toying with abstract definitions. Our theory is not a dogma, but a guide to action, Lenin used to say. It is such theory that our cadres need ... 82*

82* George Dimitroff, The United Front Against Fascism and War (New York: Workers Library, 1935), pp. 48-49; quoted in Meyer, Moulding of Communists, p. 19.

19. The Error of the Infallible Party

The major and grave error of the organizational theory of the Communist Party was not, as its Menshevik critics within Marxism would have it, Lenin's emphasis on the division of labor and the importance of revolutionary theory. Rather, it was in the developing attitude of Lenin and particularly his followers that the Party, as the instrument of History, was always right in its decisions. In short, it was the placing of reason and objectivity, not in a rational analysis of the real world, but in a specific set of persons: the Party leadership. In this way, the Communist aim of "objectivity" became mired in the subjectivity of particular persons. It is this transposition that accounts for the blind obedience of the Communist as Super-Organization-Man; for the bizarre

loyalty of many Old Bolsheviks, even though purged by Stalin, to the Party; for the unwillingness of even such quasi-individualist opponents of Stalin as Nikolai Bukharin to mount a popular crusade against Stalin's Communist Party, etc. In a profound sense, in short, the Communists developed the mystical fallacy that the Party had a concrete existence, and an infallibility, beyond the mere individuals constituting the organization. As Bill Evers writes:

Leninists see the party as the concretization of the proletarian aspect of the historical dialectic. The revolutionary organization hence has an existence apart from the individuals who constitute its membership. 83*

83* Williamson M. Evers, "Lenin and his Critics on the Organizational Question", (unpublished MS.), pp. 14-15. Evers then quotes from Alfred Meyer: "Lenin seems to have believed that the party, as organized consciousness, consciousness as a decision-making machinery, had superior reasoning power. Indeed, in time this collective body took on an aura of infallibility, which was later elevated to a dogma, and a member's loyalty was tested, in part, by his acceptance of it. It became part of the communist confession of faith to proclaim that the party was never wrong ... The party itself never makes mistakes". Alfred G. Meyer, *Leninism* (New York Praeger, 1962), pp. 97-98; quoted in Evers, "Lenin and his Critics", p. 15. Also see Rothbard, "Frank Meyer", pp. 34, 40.

In his discussion of Leninist organizational theory and strategy, Evers correctly concludes:

It does seem that a coordinated effort by professional revolutionary activists equipped with sound theories should have more likelihood of success than the uncoordinated efforts of unrelated study circles, part-time revolutionary amateurs, and anguish-torn intellectual dilettantes. An organization of professional revolutionaries employing an appropriate division of labor in carrying out tasks could have the measured firmness and persistent determination necessary to carrying through the day-in, day-out work of bringing about revolutionary change. An organization can provide continuity and sustenance for the revolutionaries during the long period of groundwork designed to promote a revolutionary mass movement ... To a large degree, the fears of the Mensheviks and the anarcho-communists are distrust of the division of labor as anti-democratic and anti-egalitarian. While it is true that the division of labor reflects the dif-

While this fundamental trap that a cadre organization can fall into should be duly noted, there is little possibility of libertarians making such a mistake. For libertarians are fundamentally committed to freedom of the will, to a disbelief in omniscience, to independent exercise of reason and judgment, and above all, to methodological individualism; hence, despite the Rand cult experience (see below) it is difficult for them to fall into this kind of Leninist or Nazi error. On the contrary, as the experience of the current libertarian movement has shown, their errors are likely to be the diametric opposite: to oppose, in the name of freedom and individualism, all organization, all leadership, and all hierarchy, even a voluntary one.

20. The Importance of the Press

At about the same time (1899-1901) that Lenin was developing the concept of an organization of professional revolutionaries, he was also, as a corollary, pondering the means of transforming a collection of local clubs into a nationwide organization, the Social-Democratic Party. From the beginning, he realized that the key to this task was his own creation and development of a national periodical (a newspaper or magazine) that would play the central role in organizing the movement. Lenin envisaged two periodicals: a bi-monthly theoretical organ, and, more importantly, a more widely distributed bi-weekly magazine that would give central direction to the movement. The latter, which was to be named Iskra (the Spark) was of such critical importance that this crucial formative period of Bolshevik development came to be known in later years as "the Iskra period".

In his first article on the subject, Lenin wrote:

We believe that the most urgent task of the moment consists in ... the founding of a Party organ that will appear regularly and be closely connected with all the local groups ... Without such an organ, local work will remain narrowly "amateurish" ... It is impossible to conduct a political struggle if the Party as a whole fails to make statements on all questions of policy and to give direction to the various manifestations of the struggle. The organization and the disciplining of the revolutionary forces and the development of revolutionary technique are impossible without the discussion of all these questions in a central organ ... 86*

86* Lenin, "Our Immediate Task", (second half of 1899); Works, Vol. 4, pp. 218-19.

Lenin went on to assure his readers that he did not mean to urge abandonment of other forms of local or national activity, in the course of concentrating on building the magazine:

On the contrary, we are convinced that all these forms of activity constitute the basis of the Party's activity, but without their unification through an organ of the whole Party, these forms of revolutionary struggle lose nine-tenths of their significance; they do not lead to the creation of common Party experience, to the creation of Party traditions and continuity. The Party organ, far from competing with such activity, will exercise tremendous influence on its extension, consolidation, and systematization. 87*

87* Ibid., p. 219.

And again, in a later article:

Only the establishment of a common Party organ can give the "worker in a given field" of revolutionary activity the consciousness that he is marching with the "rank and file", the consciousness that his work is directly essential to the Party, that he is one of the links in the chain ... 88*

88* Lenin, "An Urgent Question", (second half of 1899), Works, Vol. 4, p. 224.

In the fourth issue of Iskra, Lenin spelled out in more detail the basic functions of the national "newspaper" or periodical. First, to provide regular and nationwide dissemination of ideas ("agitation and propaganda"):

A newspaper is what we most of all need; without it we cannot conduct that systematic, all-round propaganda and agitation, consistent in principle, which is the chief and permanent task of Social-Democracy in general and, in particular, the pressing task of the moment, when interest in politics and in questions of socialism has been aroused among the broadest strata of the population. Never has the need been felt so acutely as today for reinforcing dispersed agitation in the form of individual action, local leaflets, pamphlets, etc., by means of generalized and systematic agitation that can only be conducted with the aid of the periodical press.

Second, the national newspaper must be frankly political:

... what we need is definitely a political newspaper. Without a political organ, a political movement deserving that name is inconceivable ... Without such a newspaper we cannot possibly fulfill our task — that of concentrating all the elements of political discontent and protest, of vitalizing thereby the revolutionary movement of the proletariat.

And Third, the newspaper must perform a central role in organizing the radical movement:

... A newspaper is not only a collective propagandist and a collective agitator, it is also a collective organizer. In this last respect it may be likened to the scaffolding round a building under construction, which marks the contours of the structure and facilitates communication between the builders ... With the aid of the newspaper and through it, a permanent organization will naturally take shape that will engage, not only in local activities, but in regular general work, and will train its members to follow political events carefully, appraise their significance and their effect on the various strata of the population, and develop effective means for the revolutionary party to influence these events. 89*

89* Lenin, "Where to Begin" (May, 1901), in Works, Vol. 5, pp. 20-23.

In 1917, as Tonyy Cliff makes clear, the Bolshevik party press played a central role in instructing party members and sympathizers throughout Russia. By that year, the Bolshevik party was publishing 44 periodical organs, of which 17 were daily papers, spearheaded by Pravda, published in Petrograd. 90*

90* Cliff, Lenin, II, pp. 163-64

Similarly, the crucial role of the major party newspaper, the Volkischer Beobachter (The People's Observer) in the development of the Nazi movement after its acquisition in 1920, has been pointed out by Dietrick Orlow:

The VB became an indispensable ideological and organizational link between the party's central leadership and its local, and, later, provincial membership. Hitler frequently used the pages of the VB to give ideological clarification and interpretation to current political issues, so that control of the newspaper was a major means of preventing uncontrolled discussion and disunity among the membership. And, perhaps even more significant, the VB became a major vehicle for transmission of orders and directives relating to the party's organizational developments ... (Furthermore,) through its pages, Hitler could address the large group of sympathizers (and potential members) who were repelled by the more theatrical atmosphere of the party's rallies. 91*

91* Orlow, History of the Nazi Party, pp. 21-22.

21. Requirements for Success

Given a professionally organized and structured cadre, dedicated to consistent principle and its ultimate goals, flexible in tactics in response to changing historical conditions, allied with and recruiting from like-minded sympathizers, what then are the conditions for its success? Here again, the Leninist movement has done the most systematic thinking. Basically, it seems that the mass of the public (or, in its particular construction, the

working class and its allies) are, in normal times, not interested in political affairs, and are therefore willing to continue passive or active support for the status quo. It is only the development of "crisis situations", crises that result from the breakdown of the existing system and with which the system cannot cope, that the radical movement can accelerate its strength and possibly achieve victory. It is such periods of breakdown that stimulate a massive willingness among the public to think deeply about the social system and to consider radical alternatives. Such crisis situations or "revolutionary situations", might be any one or a combination of: economic (such as depression or inflation), a losing or a stalemated war, or political repression of free speech and activity. In fact one of the constants of the history of modern revolutions is this: no successful revolution has occurred without (1) a previous losing or stalemated war, or (2) the repression or outlawing of free political activity. In fact, no violent revolution has taken place successfully in a country with democratic elections; all have occurred either against domestic dictatorships (Russia, Cuba, China, Vietnam, France) and/or against foreign imperialism (the American Revolution, Vietnam); and most have occurred after a losing or stalemated war (Russia, China) or at least an expensive one (France, America, Italy). Germany's Nazi revolution was non-violent, taking place through the democratic electoral process; and it, too, occurred in the aftermath of a losing war (as well as a runaway inflation). 92*

92* On the importance of a losing war for revolution, Professor Lawrence Stone writes: "Revolution only becomes probable ... if

certain special factors intervene: the 'the precipitants' or 'accelerators'. Of these, the three most common are the emergence of an inspired leader or prophet; the formation of a secret, military, revolutionary organization; and the crushing defeat of the armed forces in foreign war. This last is of critical importance since it not only shatters the prestige of the ruling elite, but also undermines the morale and discipline of the soldiers and thus opens the way to the violent overthrow of the existing government". Lawrence Stone, The Causes of the English Revolution, 1529-1642 (New York: Harper & Row, 1972), p. 10.

These crisis situations, as well as the basic soil that prepared them, constitute for the Marxists the necessary "objective conditions" for a successful radical triumph. 93*

93* Thus, Redlich writes: "... often the soil (for the triumph of an idea) must have been prepared by events. One can remember how difficult it was to disseminate the idea of an American central bank prior to the crisis of 1907 and how relatively easy it was thereafter". Redlich, "Ideas Migration", p. 306.

In addition to these requisite objective conditions, there are also what the Marxists term the "subjective conditions" — namely a cadre and a movement of sufficient strength and influence to take advantage of these objective conditions. Specifically, to prepare in advance by predicting the crisis, to point out how the crisis stems systematically from the political system itself and is not simply an historical accident (something that both libertarians and Marxists are equipped to do), and to point to the radical alternative by which these crises and others like them can be surmounted. The cadre is like a skeletal force in place, ready to take advantage of the inevitable crises (the results of the numerous "inner contradictions" of the existing system) and to grow rapidly during these periods. In fact, of course, the cadre and sympathizers will tend to grow rapidly during these crisis situations, so that the objective conditions will strengthen and reinforce the "subjective".

The cadre in place, ready to take advantage of crisis situations, well describes the Nazi route to power when the Great Depression struck Germany. Thus, Geoffrey Pridham writes:

... it is important to realize that the NSDAP had already developed the organizational framework of a mass movement by the time the Depression broke in Germany. What the Depression did was to facilitate enormously the expansion of its popular support. The NSDAP benefited from the Depression more than any other party partly because it had a propaganda machine far superior to those of its rivals ... The second principal reason for the NSDAP's success during the Depression was the nature of its appeal. The party's exploitation of the economic crisis was primarily political, as it used it to argue that the whole political system needed changing rather than simply the government in office at the time. The NSDAP was now in a stronger position than ever before to lambaste the governing parties, and claim the role of the main opposition force. The Depression severely affected loyalty to the state and sharpened class antagonism. It reinforced the tendency, especially among those who had an "ideological" aversion to the Weimar Republic or were concerned about their social status, to opt for a party which offered "a choice, not an echo" of what the traditional parties were saying. 94*

94* Pridham, Hitler's Rise to Power, pp. 217-18. Also see Orlow, History of the Nazi Party, p. 171.

As Lenin pointed out, for victory for the radical cause to occur, there also needs to be a breakdown of morale among the existing ruling classes, a vital loss of confidence in their own capacity to rule, to understand and surmount these crises situations. Such massive losses of confidence will also lead to splits within the "ruling class", a falling away of crucial support to the existing system, and a possible victory for a radical alternative.

Lenin set forth these insights with great clarity in the course of his critique of the pro-war Marxists after the start of World War I:

... it is indisputable that a revolution is impossible without a revolutionary situation; furthermore, it is not every revolutionary situation that leads to revolution. What, generally speaking, are the symptoms of a revolutionary situation? ... the following three major symptoms: (1) when it is impossible for the ruling classes to maintain their rule without any change; when there is a crisis, in one form or another, among the "upper classes", a crisis in the policy of the ruling class, leading to a fissure through which the discontent and indignation of the oppressed classes burst forth. For a revolution to take place, it is usually insufficient for "the lower classes not to want" to live in the old way; it is also necessary that "the upper classes should be unable" to live in the old way; (2) when the suffering and want of the oppressed classes have grown more acute than usual; (3) when, as a consequence of the above causes, there is a considerable increase in the activity of the masses, who uncomplainingly allow themselves to be robbed in "peace time", but, in turbulent times, are drawn both by all the circumstances of the crisis and by the "upper classes" themselves into independent-historical action. Without these objective changes, which are independent of the will, not only of individual groups and parties but even of individual classes, a revolution, as a general rule, is impossible. The totality of all these objective changes is called a revolutionary situation. 95*

95* Lenin, "The Collapse of the Second International", (June 1915), in *Works*, Vol. 21, pp. 213-214.

Lawrence Stone also stresses, for the success of a revolution, the decay of the will of the ruling elite. "The elite may lose its manipulative skill, or its military superiority, or its self-confidence, or its cohesion; it may become estranged from the non-elite, or overwhelmed by a financial crisis; it may be incompetent, or weak or brutal." 96*

96* Stone, *Causes of the English Revolution*, p. 9.

And, in analyzing the first modern, if ultimately unsuccessful, revolution, the English Revolution of the 17th century, Stone writes:

Before civil war could break out, it was necessary for the major institutions of central government to lose their credibility and to collapse. Although the crisis only becomes intelligible in the light of social and economic change, what has to be explained in the first place is not a crisis within the society, but rather a crisis within the regime, the alienation of very large segments of the elites from the established political and religious institutions. 97*

97* Stone, *Causes of the English Revolution*, pp. 56-57. On the weakened will of King Victor Emmanuel and the ruling elite in Italy to resist Mussolini's March on Rome as crucial to the latter's success, see Lyttelton, *The Seizure of Power*, pp. 90-93.

Lenin goes on to mention various revolutionary situations in the past which did not rise to a successful revolution.

Why was that? It was because it is not every revolutionary situation that gives rise to a revolution; revolution arises only (when) ... the above-mentioned objective changes are accompanied by a subjective change, namely, the ability of the revolutionary class to take revolutionary mass action strong enough to break (or dislocate) the old government, which never, not even in a period of crisis, "falls", if it is not toppled over. 98*

98* Lenin, "The Collapse of the Second International", p. 214.

After pointing out that the war would inevitably give rise to a revolutionary situation, Lenin asked "Will it lead to revolution?" and answered "This is something we do not know, and nobody can know. The answer can be provided only by the experience gained during the development of revolutionary sentiment and the transition to revolutionary action by the advanced class, the proletariat". In this situation, Lenin concluded, the crucial duty of the socialist movement is to stimulate the "subjective conditions" as much as possible:

... the indisputable and fundamental duty of all socialists -- (is) that of revealing to the masses the existence of a revolutionary situation, explaining its scope

and depth, arousing the proletariat's revolutionary consciousness and revolutionary determination, helping it to go over to revolutionary action, and forming, for that purpose, organizations suited to the revolutionary situation. 99*

99* Ibid., pp. 216-17.

22. The American Revolution

The American Revolution holds special significance for modern American libertarians, and deserves discussion in its own right. In the first place, it was the first successful revolution against the State in modern history (the success being later partially reversed with the adoption of the Constitution); 100*

100* The English Revolution of the 17th century, which preceded and in many ways inspired the American Revolution, was largely unsuccessful, its libertarian thrust reversed early with the accession to power of Oliver Cromwell.

secondly, it was also the first successful libertarian revolution in modern history; thirdly, it was the first successful national liberation struggle against Western imperialism. On the other hand, it must be realized that the revolution presented special problems not relevant to today, since it took place in a pre-industrial, thoroughly decentralized colonial structure--facing the difficult problems of unifying the thirteen colonies into a common struggle against the British Empire.

It is now recognized, since the researches of Bernard Bailyn (e.g. The Intellectual Origins of the American Revolution, 1967), that the indispensable groundwork for the revolution was laid decades earlier in the spread of a radical libertarian ideology throughout the American colonies. Based on the individualist,

political action and confrontation. In addition, their interpretation of the *Book of Revelation* makes the dispensationalists even more fanatical Zionists than Yitzhak Shamir and the *Likudniks*.

In sum, the task of paleolibertarians is to break out of the sectarian libertarian hole, and to forge alliances with cultural and social, as well as politico-economic, “reactionaries.” The end of the Cold War, as well as the rise of “political correctness,” has made totally obsolete the standard libertarian view that libertarians are either half-way between, or “above,” both right and left. Once again, as before the late 1950s, libertarians should consider themselves people of the right. ■

A NEW STRATEGY FOR LIBERTY

October 1994

American political life has experienced a veritable transformation. As usually happens when we are in the midst of a radical social change, we are barely aware that anything is happening, much less its full scope and dimension. In the words of Bob Dylan taunting the hated bourgeoisie in the 1960s: “You don’t know what’s happening, do you, Mr. Jones?” Except that now the tables have been turned, and “Mr. Jones” is the comfortably ensconced member of the liberal and Beltway elite ruling this country.

The great and inspiring new development is that, for the first time in many a moon, a genuine grassroots right-wing people’s movement is emerging throughout the country. This is a very different story from the Official Conservative and Libertarian movement that we have known all too well for many years: a movement where well-funded periodicals, think tanks, and “public interest” law firms, snugly (and smugly) established mostly inside the Beltway, set down the Line unchallenged for the subservient folks in the hinterlands.

Funding for these outfits comes mostly from big foundation and corporate donors; the role of the masses “out there” throughout the country is to touch their forelock and kick in with the rest of the dough. Often these Beltway organizations exist only as direct-mail fundraising machines with the usual panel of celebrities on their letterheads; the function of donations is to pay the salaries and to finance the luxurious housing for these institutions.

Those Beltway organizations that are really active conduct indirect lobbying on behalf of gradual, marginal reforms hoping to push Congress or the Executive one centimeter to the right; the more important function,

however, is to grant their major donors one of the great prizes of Official Washington: access to leading politicians and bureaucrats.

The published reports of these outfits are mainly designed not to advance *The Cause*, but to demonstrate to their donors the fact of such access: hence, countless pictures of think-tank executives shaking hands with Senator Dole, Alan Greenspan, or whomever.

The major purpose of the conferences held by these institutions is not to advance the truth or the free market in the public arena, but to demonstrate, once again, to the major donors that they are capable of bringing in Greenspan or Dole to attend their functions.

The stated excuse of these outfits, many of whom still claim abstract devotion to high libertarian or conservative principle, is that the reason for their location inside the Beltway and for devoting their energies to minor and negligible reforms is that this is the only way they can gain respectability in Washington.

But that, of course, is precisely the problem: change the word “respectability” to “access,” and the point becomes all too clear. For a long time, these Washington organizations have not been part of the solution, however gradual or minor; they have been part of the problem: the domination of American life by Washington.

This sort of movement has been necessarily top-down, although many of these outfits like to think of themselves as grassroots: the grassroots Americans, however, live to serve the power elite, and the power elite lives to curry favor and access with Leviathan. That is why Samuel Francis’s metaphor is apt about the Beltway conservative movement meeting inside a phone booth.

But in recent months, something brand new has happened. A grassroots, right-wing populist movement has been springing up all over the country, a movement that has no connection whatever to Official Conservative elites. Having no connection, the Beltway conservatives can have no control over this new right-wing uprising among the people.

Since it is a genuine grassroots movement, it is necessarily fragmented, unsystematic, and a bit chaotic. Also, since the dominant liberal media don’t want to hear about it, and the Official Conservative movement is frightened of it, we hear very little of its activities.

While at this early stage the movement may be confused and inchoate, it has one magnificent quality which gives it great intensity and abiding strength: a deep and bitter hatred of the despotism exerted over us in so many hundreds of ways by the central government: hatred of politicians, of bureaucrats, and of Washington, D.C.

Note that this intense hatred, this reaction, this “backlash” against the drive toward collectivism, is necessarily and totally out of synch with the Beltway strategy of Official Conservative and Big-Government Libertarian organizations. Among the growing ranks of these grassroots rebels, this

entire strategy and way of life is anathema. These heartland rebels are close to the spirit, not of blow-dried Beltway think-tankers, but of the patriots of the American Revolution.

They, in contrast even to the Reaganauts, are genuine revolutionaries; they are ready and willing to tell Washington, in no uncertain terms, to buzz off. To these new American rebels, the ability to sip martinis with Bob Dole constitutes a heavy liability, not an asset. To these great people, having “access” to tyrants means that you are aiding and abetting tyrants.

The recent revolutionary activities have been manifold and widespread. Since we lack complete information, none of us knows their full extent. Probably the first task of right-wing populist intellectuals is to find out what is going on, to get an idea of the full extent of this glorious phenomenon.

Some of these activities are as follows: an erupting “county militia” movement, in which, for example, entire counties are sworn-in as part of a militia so that they cleverly come under the rubric of the Second Amendment and the right to bear arms; an associated and extensive civil disobedience by county sheriffs to the hated and despotic Brady bill; a Tenth Amendment movement: for example, both houses of the Colorado legislature have passed a resolution empowering the governor to call out the National Guard to block federal activities that violate the Tenth Amendment. What doesn’t? And there are similar efforts in every other state.

The Committee of the 50 States, a states’ rights group, has been resurrected to push the Ultimatum Resolution, proclaiming the dissolution of the federal government when the national debt reaches 6 trillion. The Committee is headed by the magnificent and venerable J. Bracken Lee, former mayor of Salt Lake City and governor of Utah. Lee, who would now be called a staunch paleo-libertarian, repeatedly through his career called for abolition of the income tax, an end to the Federal Reserve, withdrawal from the United Nations, and the elimination of all foreign aid.

In addition, there are various flourishing separatist and secessionist movements: for example, the desire of southwestern Nebraskans and northwestern Kansans to get out from under the despotic controllers and taxers of their “Eastern” big cities, such as Omaha and Wichita. Staten Island wants to secede from horrible New York City, and Vermont wants out of the U.S.

Southern secessionists are on the march again, in such new organizations as the Southern League and Peaceful Secession, and grassroots anti-immigration groups are booming in California, Texas, Florida, and other states. The growing and increasingly radical land-rights movement, fighting the confiscation of private property by federal agencies in cahoots with environmentalists, is active in the East as well as the West.

Finally, permeating all sectors of this variegated right-wing movement, there is a healthy and intense abhorrence of the Federal Reserve. These heartlanders may not know precisely what they want done in the field of

money, but, happily, they are very firm on what they don't like. In wanting to sweep away the Fed they are right on the mark. Can you imagine what these folks would think of a libertarian outfit that glories in its ability to hobnob with *Greenspan*?

And that, I think, is the major point of this essay. There has been a radical change in the social and political landscape in this country, and any person who desires the victory of liberty and the defeat of the Leviathan must adjust his strategy accordingly. New times require a rethinking of old and possibly obsolete strategies.

I was always opposed to the marginal reform strategy endemic to the Beltway think tanks. I always thought that any marginal and dubious short-run gains would be earned only at the price of a disastrous long-run abandonment of and therefore defeat for the principles of liberty. But in the America existing before 1994, such a Beltway strategy was at least coherent and arguable.

Now, however, the Beltway strategy is absurd in the short as well as the long run. There is a new mood in America, a lasting change of heart among the conservative masses. As the Marxists used to say, "the masses are in motion," and our first task is to stay with them and try to help their movement be more systematic.

No longer are the conservative masses content to send checks to the biggies in Washington, who, in return for their donations, will tell them what to think. No longer are they bowing to their betters who can assure them access to the Corridors of Power. Bless them, these heartland rebels don't want access; they want to sweep the whole Moloch away.

Where does this marvelous and burgeoning new spirit come from? There was an obvious foreshadowing in the anti-politics and anti-Washington mood of 1992. An example is the flawed and incoherent Perot movement, the major virtue of which was not the erratic leader but the spirit of the rank-and-file militants, who were looking for some sort of anti-Washington Change. But that doesn't go very far in explaining the new mass movement, which is far more right-wing, and far more intensely focused, than anything Perotvian two years ago.

No, it seems clear that the trigger for the emergence of this brand-new movement has been the total loathing welling up in America for President and Mrs. Clinton, their persons, their lives, their Cabinet, their entire rotten crew. In all my life, I have never seen such a widespread and intense hatred for any president, or indeed for any politician.

Unlike attacks on poor Joe McCarthy, this is not a hatred whipped up by the elites. Quite the contrary, the liberal elites are desperately trying to cover for Clinton, and are bewildered and appalled by the entire phenomenon. In a recent column, Thomas Sowell noted the perplexity of the media, and replied, in effect, that the reason the Clintons are widely "perceived" as power-hungry sleazes is because they *are* power-hungry sleazes.

Thus the movement erupted in reaction to all the objectively loathsome attributes of the Clintons and their associates—the stream of lies, evasions, crookery, sex scandals, and frantic attempts to run all of our lives. But quickly the hatred of the personal attributes of Clinton spilled over to his programs, to his ideology. Thus we had the most powerful “nuclear fusion” in all of politics: the intense blending of the personal and ideological. The growing realization of the socialist tyranny involved in all of Clinton’s programs—a realization that finally cut through the rhetorical fog of the “Mr. New Democrat”—joined with and was greatly multiplied by the loathing for Clinton the man.

During the 1992 elections, some of us worried that a Clinton administration, in addition to being bad for America and for liberty, would also cripple the right-wing movement strategically. For the usual pattern has been that Democratic administrations are “good” for Beltway organizations because the conservative heartland gets scared and pours money into their coffers. In that way a Clinton administration would unfortunately strengthen the conservative and libertarian Beltway elites that have long been dominating and ruining the right-wing movement.

To some extent, this has of course happened; but more important is a new phenomenon that none of us predicted: that Clinton and his crew would be so monstrous, so blatant, so objectively hateful, that it would drive into being from below a new and burgeoning real right-wing movement that hates all of Washington, whether the actual rulers or the Official Conservatives and Libertarians who bend the knee in behalf of access and possible piddling reform.

Given this, what is the proper strategy for liberty? The first thing is for any conservative or free-market group or institution to be principled, radical, and fervently anti-Washington, and to avoid like the plague Beltway-itis, either in form or content. That is, to denounce rather than cultivate the Corridors of Power, and to call for principled and radical change rather than marginal reform, change that is clearly anti-Washington and anti-federal power.

Such proposals and programs should be designed, not for the eyes and ears of Beltway power, but to educate, inspire, and guide the extraordinarily sound instincts of the new grassroots movement. We are entering an era in which, happily, the principled position is evidently the proper strategy. More than ever before, principle and strategy are fused, in behalf of the victory of liberty. ■

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