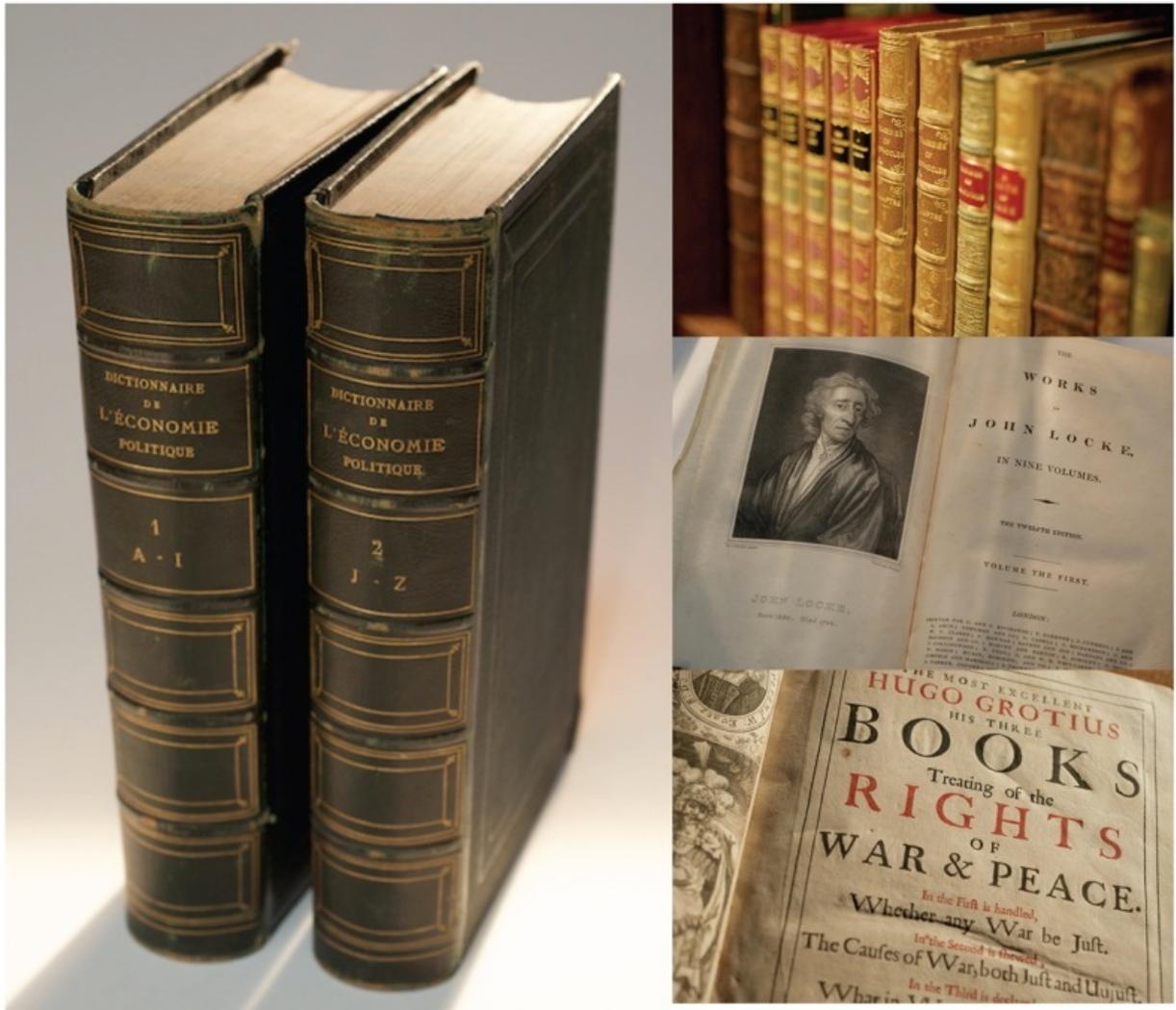


THE COLLECTED LIBERTY MATTERS NO.1-10 (JAN. 2013 - JULY 2014)



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[August, 2014]*



THE COLLECTED LIBERTY MATTERS 1-10

We have collected in this document the first 10 *Liberty Matters Online Discussion Forums* which appeared between January 2013 and July 2014. It contains:

1. Eric Mack, “John Locke on Property” (January 2013) <<http://oll.libertyfund.org/pages/eric-mack-on-john-locke-on-property-january-2013>>
2. Geoffrey Brennan, “James Buchanan: An Assessment” (March, 2013) <<http://oll.libertyfund.org/pages/geoffrey-brennan-james-buchanan-an-assessment-march-2013>>
3. Roderick Long, “Gustave de Molinari’s Legacy for Liberty” (May, 2013) <<http://oll.libertyfund.org/pages/roderick-long-gustave-de-molinari-s-legacy-for-liberty-may-2013>>
4. Robert Leroux, “Bastiat and Political Economy” (July, 2013) <<http://oll.libertyfund.org/pages/bastiat-and-political-economy>>
5. George H. Smith, “The System of Liberty” (September 2013) <<http://oll.libertyfund.org/pages/system-of-liberty>>
6. John Blundell, “Arthur Seldon and the Institute of Economic Affairs” (November, 2013) <<http://oll.libertyfund.org/pages/seldon-and-the-ica>>
7. Lawrence White, “Ludwig von Mises’s The Theory of Money and Credit at 101” (January, 2014) <<http://oll.libertyfund.org/pages/misestmc>>
8. Fernando R. Tesón, “Hugo Grotius on War and the State” (March, 2014) <<http://oll.libertyfund.org/pages/lm-grotius>>
9. Aurelian Craiutu, “Tocqueville’s New Science of Politics Revisited” (May, 2014) <<http://oll.libertyfund.org/pages/tocqueville-s-new-science-of-politics>>
10. Donald J. Boudreaux, “Deirdre McCloskey and Economists’ Ideas about Ideas” (July, 2014) <<http://oll.libertyfund.org/pages/mccloskey>>
Liberty Matters

“Liberty Matters”

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1. ERIC MACK, “JOHN LOCKE ON PROPERTY” (JANUARY 2013)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty during the month of January, 2013. The online version of the discussion can be found at </pages/eric-mack-on-john-locke-on-property-january-2013> and ebook versions at </titles/2517>.

Summary

John Locke (1632-1704) is a key figure in the history of classical-liberal thought. His *Second Treatise of Government* (1689) is the canonical text in political philosophy that most extensively and systematically advances the classical-liberal themes of individual liberty, natural rights, private property, deep suspicion of political power, radical limitations on the scope of legitimate political authority, and rightful resistance against unjust and arbitrary power. Locke’s next most important work in political theory, *A Letter Concerning Toleration* (1689), completes his fundamentally classical-liberal vision with arguments for religious toleration that readily generalize to the conclusion that the state has no authority to govern persons’ self-regarding actions or the activities of mutually consenting adults. This brief essay will examine the character and content of Locke’s central contentions about property.

Nevertheless, it is hard to avoid the conclusion that when Locke shifts from high philosophy to public policy – especially public policy concerning the less reputable members of society – liberty and property tend to get lost in the shuffle. When the poor escape from “negligent officers,” the untoward result is that they “are at liberty for a new ramble.” “Restraint of the debauchery” of the poor is a necessary step “towards setting the poor on work.” Despite Locke’s core devotion to property rights and despite the strong anti-paternalism and anti-moralism of his *A Letter Concerning Toleration*, in the “Essay on the Poor Law” (1697) Locke calls for “the suppressing of superfluous brandy shops

and unnecessary alehouses, especially in country parishes not lying upon great roads.” However, liberty and property are not compromised along the great roads that Locke travels.

The Debate

The online discussion consists of the following parts:

1. **Lead Essay:** Eric Mack, "Locke on Property" [Posted: January 7, 2013]

2. Responses and Critiques:

1. Response by Jan Narveson [Posted: January 14, 2013]
2. Response by Peter Vallentyne [Posted: January 14, 2013]
3. Response by Michael Zuckert [Posted: January 14, 2013]

3. The Conversation:

1. Eric Mack's Reply to Jan Narveson (January 15, 2013)
2. Jan Narveson's Comment on Eric Mack (January 15, 2013)
3. Eric Mack's Response to Peter Vallentyne (January 16, 2013)
4. Peter Vallentyne's Reply to Eric Mack (January 17, 2013)
5. Eric Mack's Comment on Michael Zuckert (January 20, 2013)
6. Jan Narveson's Reply to Eric Mack (January 20, 2013)
7. Michael Zuckert's Comment on Eric Mack (January 20, 2013)
8. Eric Mack's Comment on Jan Narveson 2 (January 20, 2013)
9. Jan Narveson's Comments on Eric Mack and Michael Zuckert (January 20, 2013)
10. Peter Vallentyne's Response to Jan Narveson (January 20, 2013)
11. Eric Mack's Reply to Peter Vallentyne 2 (January 20, 2013)

12. Eric Mack's Comment on Michael Zuckert 2 (January 21, 2013)
13. Jan Narveson's Comment on Peter Vallentyne (January 22, 2013)
14. Peter Vallentyne's Response to Jan Narveson 2 (January 22, 2013)
15. Eric Mack's Final Comments (January 22, 2013)
16. Jan Narveson's Final Comment on Peter Vallentyne (January 22, 2013)
17. Michael Zuckert's Concluding Thoughts (January 27, 2013)
18. Jan Narveson's Response to Michael Zuckert (January 28, 2013)

About the Authors

Eric Mack is Professor of Philosophy at Tulane University and a faculty member of the University's Murphy Institute of Political Economy. His many scholarly essays focus on the moral foundations of rights, the nature of natural and acquired rights, property rights and economic justice, and the legitimate scope of coercive institutions. He is the author of *John Locke* which should be available in paperback by late January 2013. Eric has also written other essays and annotated bibliographies on 17th century political theorists such as John Locke, James Tyrrell, Robert Filmer, and Thomas Hobbes for the Online Library of Liberty. See:

- Eric Mack, An Introduction to the Political Thought of John Locke
- Eric Mack, Locke on Toleration: Locke's A Letter Concerning Toleration
- Eric Mack: Authority and Liberty in the Writings of Robert Filmer and Thomas Hobbes
- Eric Mack: James Tyrrell on Authority and Liberty

Jan Narveson is Distinguished Professor Emeritus of the University of Waterloo in Canada. He is the author of seven published books, notably *The Libertarian Idea* (1988 and 2001), *You and The State* (2008), and *This is Ethical Theory* (2010), and of several hundred articles and reviews in philosophical journals and collections. He has also been active in the presentation of classical music concerts (some 1,500 so far) as president of the Kitchener-Waterloo Chamber Music Society. He was

elected a Fellow of the Royal Society of Canada in 1989; in 2003 he was made an Officer of the Order of Canada, which is that country's highest recognition of civilian achievement.

Peter Vallentyne is Florence G. Kline Professor of Philosophy at the University of Missouri. He writes on issues of liberty and equality in the theory of justice (and left-libertarianism in particular) and, more recently on enforcement rights (rights to protect primary rights). He is an associate editor of *Ethics*. Peter edited *Equality and Justice* (2003, 6 volumes) and *Contractarianism and Rational Choice: Essays on David Gauthier's Morals by Agreement* (1991), and he co-edited, with Hillel Steiner, *The Origins of Left Libertarianism: An Anthology of Historical Writings and Left Libertarianism and Its Critics: The Contemporary Debate* (2000).

Michael Zuckert is Nancy R. Dreux Professor of Political Science at University of Notre Dame. He is the author of many studies on early modern political theory, including *Natural Rights and the New Republicanism* and *Launching Liberalism: Studies on John Locke*. He is also founding editor-in-chief of a new journal, *American Political Thought*.

1. LEAD ESSAY: ERIC MACK, “LOCKE ON PROPERTY”

John Locke (1632-1704) is a key figure in the history of classical-liberal thought. His *Second Treatise of Government* (1689) is the canonical text in political philosophy that most extensively and systematically advances the classical-liberal themes of individual liberty, natural rights, private property, deep suspicion of political power, radical limitations on the scope of legitimate political authority, and rightful resistance against unjust and arbitrary power. Locke's next most important work in political theory, *A Letter Concerning Toleration* (1689), completes his fundamentally classical-liberal vision with arguments for religious toleration that readily generalize to the conclusion that the state has no authority to govern persons' self-regarding actions or the activities of mutually consenting adults. This brief essay will examine the character and content of Locke's central contentions about property.[1]

Two salient features of Locke's political thought are his focus on *natural rights* and his focus on *property*. Locke holds that all humans who have reached the age of reason are equally free and independent beings; we are “equal one amongst another without Subordination or Subjection ” (ST 4) and have basic moral claims against being subordinated to the ends of others “as if we were made for one another's uses” (ST 6). Each individual has ends of his own – his temporal and eternal happiness – to which he has reason to devote himself. Hence, each has reason to claim a right against interference in his pursuit of his own ultimate ends (ST 17); and each must acknowledge that others, who are his equals, have the same rights that he claims for himself. Hence, all are required by reason to affirm every adults' right to freedom (ST 6).

The Natural Right to Freedom

This natural right to freedom is not an unlimited Hobbesian liberty to do whatever one desires to do. For such a liberty in others would mean that one was open to utter subjection to them, and “who could be free, when every other Man's Humour might domineer over him?” (ST 57). Instead, each individual's natural right to freedom implies a natural obligation on the part of

others to refrain from interference with that individual's pursuit of his temporal and eternal happiness. Each person's right to freedom is constrained by others' like rights to freedom.

How can the extent of each person's rightful freedom be codified so that no person's exercise of his right to freedom will be incompatible with any other person's exercise of his right to freedom? Locke saw that this codification requires the specification of what is *mine* and what is *thine*. My rightful freedom consists in my disposing as I see fit of what is *mine* (or at least *not thine*) “without asking leave, or depending upon the Will of any other Man” (ST 4). Your freedom requires that I not dispose of what is *thine* without your leave. A regime of compatible freedom depends on the identification of the fences that mark off mine from thine. Thus, for Locke, rights characteristically take the form of property. Property in its broad sense, i.e., rights to life, liberty, and estate, provide each individual with moral protection against subordination to other individuals *and* to the state. And property, especially in the sense of estate, provides the framework that allows and facilitates a peaceful and flourishing civil order. Locke's theory of rights to one's legitimately acquired holdings is an integral part of his more general view that each individual is morally entitled to pursue his own ends in his own chosen way. Religious freedom is, for instance, primarily a matter of the freedom of individuals in their religious practices to dispose of their own holdings (but not the holdings of others) as they see fit.

In the work that has done most in recent decades to revive interest in Locke's political philosophy, *Anarchy, State and Utopia* (1974)[2], Robert Nozick defends an essentially Lockean position on justice in holdings on the basis of a doctrine of natural rights. Moreover, like Locke, Nozick takes each person's basic rights to be reflective of morally significant features of persons, viz., their existence as separate beings with distinct systems of ends. For both thinkers, in virtue of these morally significant features, individuals are not to be treated as objects or resources or means at the disposal of others; they are not to be subordinated to or sacrificed for others' ends. As long as an agent abides by this basic constraint, all others are required to allow him to pursue his own ends in his own chosen way. This is a very different sort of moral perspective from the consequentialist contention that there is some overarching social outcome--e.g., the maximization of the preserva-

tion of human life--that each person is bound to promote and that persons should be constrained in their conduct toward one another insofar and *only insofar* as constraint advances that maximization project. While Locke sometimes speaks as though our fundamental duty is to preserve mankind at large (at least when that is compatible with one's own self-preservation), he immediately parses this duty as a negative obligation not to "take away, or impair the life, or what tends to the Preservation of the Life, the Liberty, Health, Limb or Goods of another." (ST 6).[3]

The Rights of Property

Let us turn to Locke's vindication of the rights of property in the sense of estate. In the crucial chapter "Of Property," as throughout the *Second Treatise*, Locke is writing in opposition to the authoritarian political theorists Robert Filmer and Thomas Hobbes. Despite their differences, both Filmer and Hobbes held that all property rights of citizens depend on the will of their sovereign and that, therefore, there can be no valid assertion of property rights against the will of the sovereign. Locke argues to the contrary that property rights do not depend on the will of the sovereign; indeed, no one can be said to have a *property* in any holding if another party, e.g., the sovereign, may deprive him of it without his consent (ST 138). In the 17th century the standard alternative to the view that property rights were created by the sovereign's will was the view that the earth was originally owned by all mankind in common *and* that it came to be divided into private property (or came to be open to private acquisition) through some sort of general consent. Filmer, however, provided powerful arguments against any such consent theory of private property rights, and Locke was convinced by these arguments. For this reason, Locke sets out "to shew, how Men might come to have a *property* in several parts of that which God gave to Mankind in common, and that without any express Compact of all the Commoners" (ST 25).

Locke himself continues to say that God had given the earth "to Mankind in common" because this was his most direct way of denying Filmer's claim that God had given the earth to Adam. Yet Locke sees that this language seems to imply that private property can only arise through general consent. Locke's solution was to

argue that all that *should* be meant by saying that the earth was originally the common property of mankind is that no portion of the earth was the original property of anyone in particular (ST 26). *In effect*, the earth is originally *unowned*. Hence, individuals may take hold of and use portions of the natural world without having to obtain the consent of others. Locke argues that the earth must be originally unowned precisely because, if the earth *were* originally commonly owned in any substantive sense, universal consent *would* be needed before any individual could permissibly take up and use any portion of the earth. But then, since universal consent will never be attained, morality would require that everyone abstain from all uses and appropriations of natural materials. Morality would require that we all starve in the midst of a plentiful nature. "If such a consent as that was necessary, Man had starved, notwithstanding the Plenty God had given him" (ST 28). Locke concludes that, since morality *could not* require that we all starve, it cannot be that the earth is originally jointly owned by mankind.

Still, why not think that man is obligated to starve if he cannot get universal consent to engage in the private use or appropriation of parts of nature? Locke addresses this question in his little-read *First Treatise*. His answer is cast largely in terms of God's intentions. God would not have created men with a need to use and appropriate portions of nature and surrounded men with a plentiful nature if He did not intend for men to use and appropriate parts of it (FT 86, ST 32-35). However, there is also a less theological version of this answer:[4] Each person's rational pursuit of (temporal) happiness centers on his desire for and rational pursuit of self-preservation; indeed, all persons rationally seek "the comfortable preservation of their Beings" (FT 87). For this reason, all persons have rights to pursue their comfortable preservation and, since the use or appropriation of portions of nature is necessary for the pursuit of comfortable preservation, all persons have rights to engage in such use or appropriation. Hence, people cannot be subject to natural obligations to forgo such life enhancing activities (FT 86-88).

We have here an inkling of an idea often found in classical-liberal thought, viz., that there is a *natural* right of property. This is not a right to particular natural objects or shares of such objects. For rights to particular objects or shares must be *acquired* through the right-holder's actions. Rather, the natural right of property is

a right to make things one's own. It is a right not to be precluded from acquiring holdings and exercising discretionary control over them. Imagine a political order that prohibits people from engaging in activities that would generate private property rights. By definition, *that* prohibition would not violate any individual's *acquired* property rights. Yet that prohibition would violate persons' natural right of property. Locke recognizes the distinction between this background natural right of property and particular acquired property rights by noting in his *First Treatise* discussion of the natural right that "in another place " he will show how a person creates for himself "a Property in any particular thing" (*FT* 87). That other place is the *Second Treatise's* chapter "Of Property," where Locke offers his famous labor-mixing account of particular property rights.

"every Man has a Property in his own Person. This no Body has any Right to but himself. The Labour of his Body, and the Work of his Hands, we may say, are properly his"

Locke begins that account with the affirmation of each person's natural right of self-proprietaryship and, hence, each person's right to his own labor. "Every Man has a *Property* in his own *Person*. This no *Body* has any *Right* to but himself. The *Labour* of his *Body*, and the *Work* of his *Hands*, we may say, are properly his" (*ST* 27). Since nature itself is originally unowned, any individual may "mix " his labor with any portion of nature that is not being used or has not already been acquired by another. This mixing of labor involves the intentional transformation of some natural material for the sake of some future use by the transforming agent. Hence the labor is plausibly construed as invested in the transformed object rather than merely frittered away,^[5] and the laborer retains his right to this invested labor. Since depriving the laborer of the transformed object violates that agent's rights, the agent who "mixes" his labor with some morally available natural material acquires a right to the altered object. The primary reason to respect the agent's freedom to dispose of the transformed object as he chooses is regard for that agent's rights, not regard for the overall social benefits of allowing the agent to enjoy this freedom.

"Mixing One's Labor"

A number of points should be made about Locke's labor-mixing account. First, as far as it goes, it is eminently plausible. If persons do have rights over their own persons and hence over their respective talents, efforts, and time, then they have moral claims against being deprived of objects in which they have invested their talents, efforts, and time. The wrong done to the agent whose invested labor is expropriated by another is morally on par with the wrong done to an agent who is coerced into supplying labor to another.

Second, it is far from obvious that *all* rights of initial acquisition can or need to be explained on the basis labor-mixing. As various conventions develop that define what counts as an *entitlement-generating* initial acquisition, it seems that individuals can acquire initial entitlements by engaging in the activities specified by those conventions. Since those conventions enable people to make things their own, respect for the entitlements generated through those conventions seems to be required by the Lockean natural right of property.

Third, Locke provides no account of property rights that arise through voluntary transfer. Here too it seems that, rather than trying to fit all acquisitions of property rights into the labor-mixing paradigm, Locke would have done well to emphasize how conventions that define just transfer facilitate people making things their own and hence each person's natural right of property underwrites his claim to the holdings he has acquired in accordance with those conventions. The recognition of a Lockean natural right of making things one's own opens the door to a doctrine of property rights that is less centered on labor-mixing than Locke's actual discussion is.

"Nor was this appropriation of any parcel of land, by improving it, any prejudice to any other man, since there was still enough, and as good left; and more than the yet unprovided could use."

Locke denies that it follows from his doctrine of just acquisition that “any one may ingross as much as he will” (*ST* 31). For Locke affirms two constraints on just acquisition, viz., a spoilage proviso and an “enough, and as good” proviso (*ST* 33). The spoilage proviso is tied to Locke’s vision of the natural world having been provided to us by God who intends its use not its waste. According to this proviso, one’s property rights do not extend to what will spoil in one’s possession. If a third bushel of berries will just rot in my possession, I cannot claim just ownership of them even if I have labored to collect them. However, Locke provides two reasons for why the spoilage proviso has vanishingly little significance. The first is that before the existence of money no sensible person will gather more than he can consume or barter for some other perishable good. The second is that once money comes into existence, perishable holdings can be converted *without limit* into nonperishable holdings (*ST* 46).

"Enough and as Good"

The “enough and as good” proviso is more significant both in theory and practice. According to this proviso, individuals may not so extensively appropriate from nature that others are left without enough and as good to use for their own purposes. Many recent authors think that this proviso signals Locke’s commitment to economic egalitarianism.[6] This is mistaken. To begin with, this proviso does not require that an individual be left with an *equal* share of the earth; it only requires that he be left with “*enough*.” Moreover, “as good” is best read as requiring that each individual be left with “as good” a portion as would have been available to him had others not privately appropriated portions of the earth. The proviso cannot plausibly be read as imposing the crazy restriction that each individual be left “as good” a portion as has already been acquired by other individuals. That restriction would require that *no one* ever acquire the best portion – because that would leave not as good for others! As Nozick suggests, (*ASU* 174-82), the “enough and as good” proviso should not be understood as a demand for the equal division of the earth but rather as a demand that *in some sense* no one be made worse off by the initiation, expansion, and elaboration of private property. On Nozick’s version of this proviso, no individual is to be

made worse off along the dimension of *utility*. An individual has no just complaint if the operation of the overall system of private property does not impose a net utility loss on him or if he receives an appropriate utility-restoring compensation.

In contrast to Nozick, Locke is more consistently focused on *freedom*. His advocacy of the “enough and as good” proviso marks Locke’s concern that the institution and deployment of private property may “straiten” (*ST* 36) some individuals, i.e., may fence them in (or out) in a morally impermissible way. What matters for Locke is not a baseline of utility that an individual would enjoy in a world that was still an open commons. Instead, what matters is a baseline of noninterference with that individual’s employing his self-owned labor in pursuit of his comfortable preservation. The proviso is satisfied if and only if the institution, development, and elaboration of private property yields an economic environment that is at least as receptive to that individual’s deploying his talents, efforts, and time in pursuit of his comfortable preservation as the pre-property environment would have been. It is not too far off the mark to say that Locke is concerned with no one being worse off with respect to economic opportunity rather than with respect to utility *per se*.

Locke divides the institution, expansion, and elaboration of a regime of private property into two phases and argues that within each phase economic opportunity will not expand for all – or nearly all – individuals. The first phase, which exists before the introduction of money, begins with mankind’s transition from a hunter-gatherer to an agricultural existence. For Locke this corresponds to a transition from the land being treated as an open commons to its being divided via individual investments of labor into private holdings. How much land will a given head of family acquire in the transition from hunter-gathering to farming? Locke’s answer is that: (1) a given rational agent will acquire no more land than is necessary to produce the goods that he or his family needs for consumption or can barter for needed consumption goods and (2) this amount of land will be very much *less* than the land that he or his family has needed for sustenance as hunter-gatherers. The reason so much less land will be needed is that labor, understood broadly as industrious activity, is the primary factor for all valuable human goods and labor will be vastly more effectively or intensively used in private agricultural endeavors than in

hunter-gatherer meanderings. Thus as any head of family turns to agriculture and makes some portion of the earth his own, the amount of land he employs radically diminishes, and on net the amount of land available to others increases – whether they remain hunter-gatherers or turn to agriculture (*ST* 37). Notice that since economic gain accrues to people almost entirely on the basis of their industrious labor, one party's economic gain in no way implies another party's loss.

The Creation of Money

*"gold, silver and diamonds,
are things that fancy or
agreement hath put the value
on, more than real use, and
the necessary support of life"*

The second phase of the development of private property begins with the creation of money by way of "fancy or agreement" (*ST* 46). Money radically expands the scope of feasible exchange (*ST* 48) and enables people to store the greater available gains from production and trade. The prospect of these storable gains greatly encourages the more extensive development and deployment of industrious labor (*ST* 49). On the other hand, this prospect motivates individuals to invest in much more extensive holdings of natural materials than they sought to labor on before the introduction of money. The success of some people in this pursuit *will* preclude others from appropriating or perhaps even using enough and as good of the earth. More generally, in the monetary phase the economic inequality that is rooted in "the different degrees of industry" (*ST* 48) among men will become substantially more pronounced. So it looks as though the development of commercial society that is triggered by the introduction of money regularly violates the "enough and as good" proviso. Yet Locke maintains that this proviso will not – or will not often – be violated.

Locke's official argument for this conclusion depends on his claim that money arises through universal (albeit tacit) consent to gold and silver having economic value. Since it is obvious that once money exists, economic inequality will be more pronounced and some people will expand their holdings of the earth to the

exclusion of others, consent to the existence of money must also be construed as consent to these outcomes. "It is plain that Men have agreed to a disproportionate and unequal Possession of the Earth" (*ST* 50). Hence, this argument runs, the proviso is not *violated* after the introduction of money because in the course of that introduction everyone has agreed to that proviso's suspension. Similarly, no one can justly complain about increased economic inequality because everyone has consented to this inequality as part of their agreeing to the establishment of money.

The problem here is not merely that there has been no such universal consent to money or inequality, but also that Locke himself has wisely disavowed any appeal to universal consent within his justification of property rights. Can Locke escape these problems?

*"A King in a large and fruitful
Territory [without private
property and money] feeds,
lodges, and is clad worse than
a day Labourer in England."*

It looks like Locke can escape by focusing on the reason that individuals would have to consent to the introduction of money. For Locke, that reason must be that each party anticipates gaining in the course of the transition from the first phase to the second phase of the private property regime. "For no rational Creature can be supposed to change his condition with an intention to be worse" (*ST* 131). Why, according to Locke, would it be rational for each individual to agree to a transformation of human society that increases economic inequality and may leave that individual unable to appropriate (or even use) raw material? Locke's answer is that the industrious powers that such a transformation promotes and releases so increases wealth and opportunity that each individual can reasonably anticipate that he will gain from this transition even if he ends up with a smaller pro rata share. According to Locke, such gains can be expected if, but only if, a "wise and godlike" ruler establishes "laws of liberty to secure protection and encouragement to the honest industry of Mankind" (*ST* 42). Indeed, because of the enormous improvement generated by human labor in commercial societies, "a King in a large and fruitful Territory [without private property and money] feeds, lodges, and is clad worse than a day Labourer in *Eng-*

land.” (ST 41).[7] For the achievement of material prosperity, “numbers of men [living under laws of liberty] are to be preferred to largeness of dominions” (ST 42).

How do these claims about the bountifulness of commercial society indicate that such a society generally satisfies the “enough and as good” proviso? Understood narrowly, the proviso is not satisfied. For it will not be uncommon for an individual to find himself precluded from using as enough and as good *raw* material as he would be able to use were the earth still an open (and hence undeveloped) commons. But understood more broadly, the proviso is generally satisfied. For all – or nearly all – individuals within commercial society will encounter a world of economic options that will be *at least* as receptive to their bringing their self-owned powers to bear in pursuit of their ends as they would encounter were the earth still an open commons. [8] Within commercial society, no individual – or almost no individual – will be “straitened” in his life-enhancing economic activities compared to the open-commons alternative. And the real point of the proviso is to rule out this sort of straitening of people. Note that the proviso understood broadly will be satisfied precisely because economic opportunity depends fundamentally on the positive-sum process of encouraging the development and exercise of industrious labor rather than the zero-sum process of fighting over given raw material. It is the vast expansion of industrious labor and opportunity that private property and expanded trade calls forth which also explains why commercial society enhances the material well-being of everyone – or nearly everyone.

"though the things of nature are given in common, yet man, by being master of himself, and proprietor of his own person, and the actions or labour of it, had still in himself the great foundation of property"

Locke tells us that labor is “*the great Foundation of Property*” (ST 44). He means this in two distinct senses. First, the investment of labor is the source of initial property *rights*. Second, the investment of labor is the

primary source of the *value* of rightfully held objects. And, of course, it is the creation, protection, and exercise of those rights that engender that value. Locke’s emphasis on the extent to which economic value arises through labor often leads to the claim that Locke subscribed to the labor theory of economic value, i.e., the view that the exchange value of any item will (or will strongly tend to) be proportionate to the amount of labor that goes into the production of that item. However, this theory is tied to the idea that labor is in the final analysis one homogenous activity and that different amounts of this homogenous activity get poured into different objects that then have exchange value in proportion to the amount poured into them. There is no basis for thinking that Locke subscribed to this notion of labor or to the idea that the exchange value of any object is proportionate to the labor involved in producing it. Indeed, he tells us that the value of gold and silver depends on fancy and agreement and that the value of land depends on scarcity (ST 45).

Essay on the Poor Law (1697)

Although Locke asserts quite generally the satisfaction of the “enough and as good” proviso in commercial society, I have represented Locke as holding that the proviso is satisfied for all – *or almost all* – individuals, for it is difficult to imagine a philosophical *proof* that at all times and in all places the development of private property and free commerce straitens nobody. Moreover, in his 1697 “An Essay on the Poor Law,”[9] Locke seems to view at least some of the poor as people who have been deprived of the opportunity to work, i.e., who are worse off with regard to economic opportunity than they would have been were they still living in an open commons.[10] His proposed remedies are various measures to provide these impoverished individuals with employment opportunities – on merchant ships, in workhouses, and so on. And these are the sort of measures that are called for by the “enough and as good” proviso insofar as people’s worsened positions are really the result of the development and exercise of private property rights.

"The true and proper relief of the poor... consists in finding work for them, and taking

*care they do not live like
drones upon the labour of others."*

However, in his Poor Law essay Locke does not merely recommend that the impoverished be *offered* employment. Rather, Locke proposes that the poor be *forced* to accept the employment opportunities offered. Within this essay at least, it is a settled point for Locke that the poor are to be maintained. "Everyone must have meat, drink, clothing, and firing. So much goes out of the stock of the kingdom, whether they work or no." [11] However, the nation cannot afford to provide these necessities unless, through their labor, the poor bear the burden of their own maintenance as much as possible. "[T]he true and proper relief of the poor ... consists in finding work for them, and taking care they do not live like drones upon the labour of others." [12] It is easy here to accuse Locke of forgetting about the self-ownership right of the poor to refuse offered employment and of focusing instead on the policy of maintaining "the stock of the kingdom." Still, factors other than mere disregard for liberty are at work. Locke's hard-work ethos makes him unsympathetic to and suspicious of "idle vagabonds." He almost certainly sees any vagabond's rejection of offered employment as manifesting not so much a desire for liberty but, rather, a desire to live at the expense of others.

Nevertheless, it is hard to avoid the conclusion that when Locke shifts from high philosophy to public policy – especially public policy concerning the less reputable members of society – liberty and property tend to get lost in the shuffle. When the poor escape from "negligent officers," the untoward result is that they "are at liberty for a new ramble." [13] "Restraint of the debauchery" of the poor is a necessary step "towards setting the poor on work." Despite Locke's core devotion to property rights and despite the strong anti-paternalism and anti-moralism of his *A Letter Concerning Toleration*, in the "Essay on the Poor Law" Locke calls for "the suppressing of superfluous brandy shops and unnecessary alehouses, especially in country parishes not lying upon great roads." [14] However, liberty and property are not compromised along the great roads that Locke travels.

End Notes

[1] Citations from the *Second Treatise* (and the *First Treatise*) will be to paragraph numbers in Locke's *Two Treatises of Government*, 2nd edition, Peter Laslett, ed. (Cambridge: Cambridge University Press, 1967). [The links are to one of our online editions, the Thomas Hollis edition of 1764. The link will take you to the paragraph in which the quotation is located - Editor].

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

[3] The most sophisticated reading of Locke as a consequentialist is offered by A. John Simmons in *The Lockean Theory of Rights*. According to Simmons' rule-consequentialist account, Lockean rights are norms general compliance with which maximizes the human preservation. I examine consequentialist sounding passages from the *Second Treatise* in *John Locke*, pp. 43-6, 52-3, 84-5, 93-4, and 97-8.

[4] It is often held that propositions about God are essential to Locke's arguments within political philosophy. See John Dunn's *The Political Thought of John Locke* and Jeremy Waldron's *God, Locke, and Equality*. In *John Locke*, I argue that these propositions are *not* essential to Locke's arguments. The standard Straussian position is that Locke *disbelieved* these claims and his disbelief is essential to his real convictions. See, e.g. Leo Strauss' *Natural Right and History*.

[5] Contrast this with Nozick's example of pouring one's can of tomato juice into the ocean. (*ASU* 175).

[6] For a striking instance of this contention, see Michael Otsuka's *Libertarianism without Inequality* (Oxford: Oxford University Press, 2005).

[7] This claim that *everyone* in a commercial society is better off than *everyone* in an open commons society is quite a bit bolder than Locke actually needs.

[8] See David Schmidtz's discussion in "The Institution of Property," *Social Philosophy and Policy*, Summer 1994, pp. 42-62.

[9] Reprinted in *Locke: Political Essays*, Mark Goldie, ed. (Cambridge: Cambridge University Press, 1997). An older version of this essay can be found in Fox Bourne's biography *The Life of John Locke* (1876), vol. 2, pp. 377-91 [PDF only].

[10] Apparently *these* day-laborers are *not* better situated than kings of open commons societies.

[11] "Poor Law," p.189.

[12] Ibid.

[13] Ibid., p.185.

[14] Ibid., p.184.

2. RESPONSES AND CRITIQUES

1. Jan Narveson's Response to "Mack on Locke on Property"

Eric Mack sets forth with his characteristic elegance the essentials of Locke's philosophical outlook on political morality. He points out what is not always clearly appreciated, namely, that if each is to be free – and not just some few – then we need somehow to demarcate a domain, a sphere, within which the individual has complete authority: Others must apply for permission to enter that domain. So “regime of compatible freedom depends on the identification of the fences that mark off mine from thine. Thus for Locke, rights characteristically take the form of property. Property in its broad sense, that is, rights to life, liberty, and estate, provide each individual with moral protection against subordination to other individuals *and* to the state.”

Accurately enough, he goes on to say that people have, in the view of Locke (and Nozick and others), “morally significant features” such that “individuals are not to be treated as objects or resources or means at the disposal of others.” If an agent abides by that constraint in relation to others, they are required to “allow him to pursue his own ends in his own chosen way.” The question is, though: Why *are* those features “morally significant”? What is it about those features that ground the principle in question? Bad accounts, or non-accounts (such as that these are “natural rights”) abound.

"it is a precept, or general rule of reason, that every man, ought to endeavour peace, as far as he has hope of obtaining it; and when he cannot obtain it, that he may seek, and use, all helps, and advantages of war."

We have a minor more-or-less scholarly difference regarding Hobbes, whom Mack classifies as an “authoritarian.” That’s certainly right on the strictly political level, but in Hobbes there is beneath this a moral

level, set forth in (a) a depiction of the state of mankind without rules and (b) a list of fundamental moral rules beginning with one master rule, the First Law of Nature, calling upon all to refrain from violence against others. This, he thinks, is a “rule of reason” – a pregnant phrase in context. Locke too thinks that his Law of Nature, which I would argue has precisely the same content as Hobbes’s First Law, is a pronouncement of reason, saying, “Reason, which is that law, teaches that no one....” How Hobbes becomes a sort of political authoritarian despite this total agreement in basic premises is a fascinating question. Hobbes’s idea is that anybody contemplating the natural condition of mankind would see that what we need is a general rule, and specifically that one. Locke, on the other hand, seems to leave matters at a purely intuitive level or even, worse yet, a religious one.

Mack suggests that the salient passage in paragraph 26, which starts out with the communist-sounding proclamation that “the earth, and all inferior creatures, be common to all men” has the *effect* – as I think most of us would say – of really denying this: “*In effect,*” Mack writes, “the earth is originally *unowned.*” Now I agree that this is what Locke should have said, and I agree too that his slightly tortuous argument in that paragraph tries to work around to that conclusion. Still, what we should realize is that Locke isn’t entitled to lean on any theological premises in the *Treatise*, and absent those, there is absolutely no reason to declare the earth to be primordially communist. The earth is just a bunch of stuff, and people are in fact able to put bits of it to their use. Since it *is* just a bunch of stuff, there is no *natural* reason why they should not go ahead and use it – and plenty of reason, “natural” enough, why they should, in the process, grant each other the moral status of *rights* to what they have thus selected and put to use. These reasons need to be spelled out, and Locke gets a very good start on this by arguing (as Mack says) that if we didn’t, in effect, have this institution of property rights, relying instead on full-blown communism, mankind would have starved – a claim confirmed by the world’s celebrated communist basket-cases, such as the vast starvation of early Maoist China in recent times.

But as Mack perceptively asks – well, why *aren’t* we obligated to just go ahead and starve? He proposes a de-theologized answer: “all persons rationally seek ‘the comfortable preservation of their Beings’ (*FT* 87)....”

[S]ince the use or appropriation of portions of nature is necessary for the pursuit of comfortable preservation, all persons have rights to engage in such use or appropriation.”

Now if we look at it in this de-theologized way – as we of course should – then a question arises: If particular person Jones can, in some circumstances, appropriate bits of nature *at the expense of* his fellow man and *thereby* “preserve himself” – well, why shouldn’t he do *that* – contrary to the requirements of the Law of Nature?

What this all hinges on is a recognition of a *natural* right, namely, a right of acquisition, “a right to make things one’s own.” There are two aspects of this needing discussion. The one that gets almost all the attention among recent scholars, in the wake of Nozick and others, is how we get *from* our natural right to general liberty *to* this right to acquire and then become the *owner*, in the appropriately normative sense, of what one acquires. Locke’s famous derivation via our original right to ourselves, through our labor, to rights in things is the focus of this discussion, with many authors denying that the argument goes through, while others (including Mack and myself) think it does. But even if we are right, that leaves us with the more fundamental question: Why should we think each other to be “owners” of ourselves in the first place? (Hobbes’s answer is clear: because if we don’t, we’ll be facing an awful state-of-nature situation.)

We get some light on this by following Mack’s further discussion. Not all rights of individual acquisition need depend on “labor-mixing.” “Various conventions develop” that, he holds, “*define* [my emphasis] what counts as an entitlement-generating initial acquisition.” In ensuing discussion, considerable weight is put on this device. But doesn’t this tread on thin ice? If ownership is a function literally of conventions, in at least some cases, doesn’t that imply that the conventions could be other than they are, thus changing our rights – contrary to the original assertion of natural rights in this area?

Mack’s next discussions concern the famous spoilage proviso and still more famous “enough and as good proviso” on acquisition. His discussion of the latter is elegant. We are not to acquire something if that would leave others in a *worse* condition than they would have been in a propertyless state of nature, of

course -- but there is no restriction such that “each individual be left ‘as good’ a portion *as has already been acquired by other individuals*” (again, my emphasis). The more familiar egalitarian interpretation involves an illegitimate shift of baseline. That is a signal contribution, indeed, to the discussion of this much-vexed question. (In my own writing on this, I have arrived at a similar conclusion by a slightly different route.[1])

Mack notes that Nozick tends to put this in utility terms: No one to be left *worse off* than he or she would have been in the unmodified commons – but Mack proposes that Locke instead is concentrating on *freedom*, with the striking summary that “it is not too far off the mark to say that Locke is concerned with no one being worse off with respect to economic opportunity rather than with respect to utility per se.” This is interesting and plausible; my question would only be whether there is really any difference for such creatures as we are. If there is – if we suppose that being fed intravenously forever without doing an ounce of effort represents a “level of utility” different from whatever might ensue from our own efforts -- then perhaps we should agree with Mack here.

Next he goes on to discuss the effects of the introduction of money as it bears on the proviso. Extensive commercial activity will, Mack agrees, really disenable *some* people from initial acquisition *of*, say, natural resources and land. How can this be all right? His answer is that, nevertheless, the new opportunities created by all this, as we might call it, “unnatural” activity more than compensates for any losses at the primitive level. Locke himself, as Mack notes, has already pointed out that a king in a country without exchange and property will be worse off than a day-laborer in the England of his day (not to mention the contemporary poor, with their TVs, cell phones, indoor plumbing, and more).

Now he is careful to qualify this: “Almost” everyone, not absolutely everyone will thus benefit. That raises two questions. One has to do with interpersonal comparisons of benefit: Are we *sure* that people will be *better off* poor now than in a genuine “state of nature”? There’s hope for a decent answer to that one. But another is more fundamental: What about those who exploit the compliance of most of us with Locke’s natural law – the thieves and cutthroats (including the political ones) or those who have a natural preference

for violence. It would be nice if we could show that such persons are irrational – but it's not obvious.

"Thirdly, The supreme power cannot take from any man any part of his property without his own consent..."

With respect to one sizable subset of that class of persons, Mack discusses Locke on the Poor Law. Those who fall into such poverty that they might really have been better off in a commons may, Locke thinks, actually be forced to work for their upkeep. (That is, if they can. We should note that it is totally implausible to think that the ones who *can't* would have done better in a common.) Mack observes that "it is hard to avoid the conclusion that when Locke shifts from high philosophy to public policy – especially public policy concerning the less reputable members of society – liberty and property tend to get lost in the shuffle." Yes, indeed. Just as he seems to under appreciate the contribution that his proposed restrictions on the scope of political authority would have (#38): "*Thirdly, The Supreme Power cannot take from any Man any part of his Property without his own consent.*" It's pretty hard to square that with any government, let alone the limited one that Locke wants. Well, nobody's perfect!

Endnotes

[1] Narveson, "Property Rights: Original Acquisition and Lockean Provisos" in *Respecting Persons in Theory and Practice* (Rowman & Littlefield, 2002), 111-129.

2. Peter Vallentyne's Response to "Mack on Locke on Property"

It's a pleasure and an honor to comment on Eric Mack's superb piece on Locke. Mack has done more than almost any contemporary writer to develop the philosophical foundations of libertarian and classical-liberal theories of justice. Although I endorse a Lockean-inspired version of libertarianism, I am not a Lockean scholar. Consequently, in what follows I will not challenge Mack's wonderfully clear and insightful interpretation of Locke (which seems roughly correct to me). Instead, I will comment on some aspects of the theory of property that Mack attributes to Locke. My concern, that is, is with the *plausibility* of the theory and not with whether Locke actually held it.

Locke held that natural resources are initially unowned, that agents initially own themselves (and their labor power), and that agents have a moral power to acquire private property in natural resources by performing suitable actions (e.g., labor-mixing). I agree with him.

Property rights over a thing are a bundle of rights. At the core are *control rights*. These include a claim-right against others that they not use the thing without the owner's permission, and a liberty-right against others to use the thing. (No one else's permission is required for use as such.) Additional property rights include: the claim-right to compensation for the infringement of one's property rights, enforcement rights to prevent (and perhaps punish) infringements, the moral power to transfer the rights to others (by sale, gift, etc.), and an immunity to non-consensual loss as long as one is not infringing the rights of others. *Full ownership* of a thing is a maximally strong set of property rights (compatible with others having the same rights over other things).

Locke held that natural resources (land, air, oil, etc. in their natural state) are initially owned in common by everyone, which means they are unowned. This means that each agent has a moral liberty-right against all other agents to use natural resources. No one needs anyone's permission to use natural resources (no one has a claim-right against such use), although, of course, no one has a moral liberty to smash someone's head with a rock. Because the rock is unowned, no one's permission is needed to use it, but because you own

your head, your permission is needed to smash it with the rock.

If natural resources are initially unowned in the fullest sense, then one has a moral liberty to poison all the water in the world or destroy all the plants. This, I claim, is implausible, when it adversely affects others. Even prior to appropriation, there are some moral limits on how one may use natural resources. My view, following that of Eric Roark,[1] is that, whatever restrictions there are on appropriation and ownership (addressed below), they also apply to use. I'm not sure what Locke's view was on this matter.

The fact that natural resources are initially unowned (a first-order issue concerning use) is compatible with several different higher-order conditions concerning the moral powers of individuals to acquire private property over natural resources (and the corresponding lack of moral immunities of others to the loss of their liberty-rights to use natural resources). One position is that there are no moral powers to appropriate. The commons must hold in perpetuity. Another is that only collective (e.g., majority) approval can give someone private property over natural resources. Locke rightly rejected these positions. He endorsed a unilateralist position, according to which an individual has the power to appropriate natural resources by performing a suitable action, as long as certain conditions hold. I agree. We will examine the required action and conditions below.

What conditions, then, are required for someone to acquire private property over natural resources? Locke seems to hold that labor-mixing is necessary. Mack wisely restricts labor-mixing to cases where there is "the intentional transformation of some natural material for the sake of some future use." This helps avoid the problem (raised by Nozick[2]) that my picking an apple mixes my labor with the world, but surely that does not give me private ownership of the world. Still, I think that labor-mixing, even in this restricted sense, plays no essential role in the correct theory of appropriation. What is required is that the agent "stake a claim" to particular natural resources. Exactly what is required to stake a claim requires more attention than I can give here, but a paradigm case is publicly marking off an area and publicly stating that you are claiming specified rights over that area. Mack rightly notes that labor-mixing is not necessary, since "various conven-

tions develop that define what counts as an *entitlement-generating* initial acquisition." I further add that labor-mixing plays a justificatory role for appropriation only where prevailing social conventions count such mixing as staking a claim.

It is often thought that ownership of natural resources with which one has mixed/invested one's labor follows from self-ownership, at least where the "enough and as good" proviso applies. Mack rightly interprets Locke as holding this view. I believe, however, that this view is mistaken. When I secretly trespass on your land to plant and cultivate some tomatoes, I do not acquire ownership of the land or even of the tomatoes. I have invested my labor in something that you own and have thereby forfeited any claim to its products. Likewise, when the land is in the commons, my self-ownership is fully compatible with my forfeiting the product to the commons. I do not deny that one acquires ownership of previously unowned natural resources when one stakes a suitable claim, and the proviso holds. I claim that this so because of an *independent* moral power, an independent right to property, and not because of one's self-ownership. Full self-ownership, that is, is compatible with natural resources being in the commons in perpetuity, with individuals having no powers of appropriation.

Full self-ownership does, of course, play a role in the justification of the ownership of one's *products*: If one owns all the factors of production (natural resources, capital, labor power), then one owns the product. This principle, however, does not give one ownership of natural resources, since they are not the products of one's labor or other assets.

Locke's proviso on appropriation requires that "enough and as good" be left for others. Mack gives the standard weak reading according to which this requires only that no one be worse off (net of any compensation provided) than she would have been had the resources remained in the commons. I agree that this is the best interpretation of Locke, but I believe that Locke's version of the proviso is too weak. I think it more plausible that an equally valuable share (net of compensation provided) must be left for others (or more radically: a share compatible with an equal opportunity for wellbeing). Natural resources were not created by any non-divine person, and I see little reason to hold that the benefits they provide should not be shared equally (or

even to promote equality). I won't attempt to defend this view here.[3] I will merely note that the resulting left-libertarian theory differs from standard right-libertarian theories only with respect to the proviso. Moreover, given that both views hold that appropriation is just as long as suitable compensation is paid, the only difference is the amount of compensation owed.

As Mack indicates, Locke seems to hold that all agents have consented to the existence of money and thereby to the suspension of the proviso. This, however, seems to be an implausible view. Hardly any of the individuals alive today have consented to the existence of money in the sense needed for a valid contract. Moreover, even if they have validly consented to the existence of money, they have not consented to the suspension of the proviso. The former does not entail the latter. So Locke seems mistaken here.

Finally, let us turn to the limitations on private property. Locke seems to hold that the "enough and as good" proviso only applies to the initial act of appropriation. I would argue, however, that the relevant version of the proviso is plausible as an *ongoing limitation* on property rights in natural resources. I claim, that is, that the property rights initially obtained by appropriation are (unlike those of self-ownership) conditional on the ongoing satisfaction of the proviso. Thus it is not enough initially to leave enough and as good for others in the relevant sense. If circumstances change (e.g., population growth, natural disaster), what was compatible with enough and as good may cease to be so and thus require greater, or less, compensation.[4] Thus even if no compensation to others was initially owed, some compensation may be owed at a later date. On this model, compensation is a periodic payment rather than a single payment at the time of initial appropriation.

Locke holds that private property does not include the right to exclude others from using resources one owns that would otherwise spoil. He does not, that is, give appropriators *full* private property in the appropriated resources. Others have a liberty-right to use them when they would otherwise spoil.

"This being the reason and foundation of Adam's property, gave the same title, on the same ground, to all his chil-

dren, not only after his death, but in his life-time: so that here was no privilege of his heir above his other children, which could exclude them from an equal right to the use of the inferior creatures, for the comfortable preservation of their beings, which is all the property man hath in them;"

As Mack notes, Locke also holds that "all persons have rights to pursue their comfortable preservation" and thus have "rights to engage in such use or appropriation" of nature. I read this as holding that private property rights in natural resources do not include the claim-right that others not use one's resources when (1) they need to use someone's (less than full) private property, without permission, in order to meet their basic needs, and (2) the use of one's resources is compatible with one's comfortable preservation. Under these conditions, Locke held that others have a liberty-right to use one's private property.[5]

I'm inclined to reject both of the above limitations on property. If one satisfies the ongoing limitations of the more egalitarian "enough and as good" proviso that I would endorse, these additional limitations seem excessively restrictive. Of course, if one only endorses the more minimal proviso, then the additional limitations are more plausible.

Let me close by commenting on the role that property rights can play in the theory of moral permissibility. First, they might be advocated as merely *pro tanto* considerations that can be overridden by other moral considerations. On this view, a property right may be permissibly infringed when there is an overriding justification (e.g., to protect the rights of many others). Locke, I believe, implicitly held that property rights were *conclusive*, and not merely *pro tanto*, and in this he was right. Infringing a property right is always morally wrong. Second, property rights might be advocated as a theory of *justice*—understood as the *duties owed to individuals*—or as a full theory of moral permissibility. I'm fairly sure that Locke advocated only the former. As such, property rights are compatible with there being additional *impersonal moral constraints* (not

owed to anyone). For example, I may not have a claim-right, against you, that you give me some food, but you may have an impersonal duty to do so. If so, it is wrong of you not to do so, even if perfectly just (and does not wrong me). Because I'm skeptical that there are any impersonal duties, I'm inclined to think that property rights exhaust the moral constraints. Here, I merely note that others may disagree.

In sum, Mack's excellent summary and interpretation of Locke makes clear the importance of Lockean theories of property. I fully endorse the Lockean framework, but I have questioned a few aspects of the specific version held by Locke.

Endnotes

[1] For a defense, see Eric Roark, "Applying Locke's Proviso to Unappropriated Natural Resources," *Political Studies* 60 (2012): 687-702.

[2] Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974), pp. 174-78.

[3] See, for example, Michael Otsuka, *Libertarianism without Inequality* (Oxford: Clarendon Press, 2003); and Peter Vallentyne, Hillel Steiner, and Michael Otsuka, "Why Left-Libertarianism Isn't Incoherent, Indeterminate, or Irrelevant: A Reply to Fried", *Philosophy and Public Affairs* 33 (2005): 201-15.

[4] Interestingly, Nozick himself endorses this limitation view. For a defense, see Peter Vallentyne, "Nozick's Libertarian Theory of Justice," in *Anarchy, State, and Utopia—A Reappraisal*, edited by Ralf Bader and John Meadowcroft (Cambridge University Press, 2011), pp. 145-67.

[5] See, for example, A. John Simmons, *The Lockean Theory of Rights* (Princeton: Princeton University Press, 1992), sec. 6.3.

3. Michael Zuckert's Response to "Mack on Locke on Property"

It is difficult to disagree with Eric Mack's splendid little essay on Locke's property doctrine, so instead of taking issue with him I will attempt to supplement his essay by attempting to place the chapter on property more firmly within its context in the *Second Treatise*. Placing it so will allow me to confirm, reinforce, and perhaps extend some of Mack's most important conclusions.

"To this purpose, I think it may not be amiss, to set down what I take to be political power; that the power of a magistrate over a subject may be distinguished from that of a father over his children, a master over his servant, a husband over his wife, and a lord over his slave."

Readers are sometimes puzzled by the placement of the chapter on property within the Treatises. It occurs in a series of chapters quite obviously devoted to fulfilling Locke's promise in 2 Tr2 to explain political power in such a way as to distinguish it clearly from "that of a Father over his Children, a Master over his Servant, a Husband over his Wife, and a Lord over his Slave." The task of distinguishing these various powers was necessitated most obviously by Robert Filmer's doctrine, which identified all these powers with the power of fathers. After presenting what one might call the baseline situation, the state of nature where there is no political power of any sort, Locke proceeds in a series of chapters to discourse briefly on the various powers he identified in 2 Tr2. Thus in chapter 4, "Of Slavery," he explains how the power of a "Lord over his Slave" can legitimately arise, despite the natural freedom and equality of human beings. Chapter 6, "Of Paternal Power," clearly carries forward Locke's agenda by explaining the nature and limits of the power of fathers over children. Chapter 7, "Of Political or Civil Society," presents Locke's account of "conjugal society," that is, of the "power of a Husband over his Wife."

In the midst of these chapters elucidating the various relations or sorts of power that Locke means to distinguish from the “power of a Magistrate over a Subject,” or political power, comes the seemingly irrelevant and digressive chapter “Of Property.” What is this chapter doing in this place? The key to answering that question lies in noticing that Locke has not in direct terms explained one of the sorts of power he had promised to explain in 2 Tr2: that of “a Master over his Servant.” Locke has in mind something much broader than his words convey to a modern ear, for the master-servant relation, as he understands it, translates into what we would call the employer-employee relation. To explain that relation is to explain how some come to work for others in exchange for wages.

In chapter 7 Locke mentions in passing the master-servant relation in tracing out the chronological emergence of the different relations: “The first society was between Man and Wife, which gave beginning to that between Parents and Children; to which, in time, that between Master and Servant came to be added.” In this chapter Locke proceeds to explain the conjugal relation, the first in time, but the penultimate relation discussed before Locke gets to his ultimate destination, the political relation of magistrate and subject. In the preceding chapter Locke had explained the paternal (or better put) parental relation. He will go on in chapter 7 to again touch very briefly on the master-servant relation, but only in the context of distinguishing it from the master-slave relation (2 T85):

Master and servant are Names as old as History, but given to those of far different condition; for a Free-man makes himself a Servant to another, by selling him for a certain time, the Service he undertakes to do, in exchange for Wages he is to receive: ... gives the Master but a Temporary Power over him, and no greater than what is contained in the Contract between men. But there is another sort of Servants, which by a peculiar Name we call Slaves, who being Captives taken in a just War, are, by the Right of Nature subjected to the Absolute Dominion and Arbitrary Power of their Masters.

Servants are free-men who exchange their labor for wages via contract; slaves are not free and do not relate to their masters via contract, as Locke explained in chapter 4. How men come to be slaves Locke explained clearly in that chapter. But how do men come to be servants, i.e., beings who sell their labor to others? That is *precisely* the task of chapter 5 to explain. It is not

at all out of place, but it is the place where Locke presents the ground for this all-important economic relation.

"From all which it is evident, that though the things of nature are given in common, yet man, by being master of himself, and proprietor of his own person, and the actions or labour of it, had still in himself the great foundation of property; "

This insight into the organizational placement of the discussion of property is not only helpful for confirming our general impression that Locke knew how to present his thought in an orderly and logically structured manner, but it also gives us a crucial insight into what the dominant point of chapter 5 is. To repeat, that point is to explain the genesis and nature of the employer-employee relation. Or perhaps better put, to show the legitimacy of that relation. This insight helps make clear that *the* point of the chapter “Of Propriety” is to show how, beginning from the claim that the earth “belongs to mankind in common” (which, as Mack rightly shows, means that the earth is originally unowned rather than jointly owned), we can arrive at a situation in which the whole earth is owned, and owned quite unequally, with some possessing a great deal more than they strictly need and others owning none of it. This does not mean these dispossessed men are entirely without property, however. As self-owners, they are “Proprietor(s) of [their] own Person(s), and the actions or labour of it” and thus have within themselves “the great Foundation of Property.” (2 T44)

The history of property relations would seem to be a history of injustice or at least unfairness, for mankind moves from a situation where all have a right of preservation and an equal right to appropriate the goods needed for preservation from an unowned world to a situation where most have no right to appropriate anything directly from a world no longer “owned in common.” But the point of Locke’s chapter is to establish that this apparently unfair development is perfectly legitimate and to the benefit of everybody, i.e., genuinely a common good. I need not repeat the argu-

ments by which Locke tries to show this, for Mack has laid them out exceedingly well in his essay.

One benefit of seeing the point of chapter 5 in this way is that it refutes C.B. Macpherson's claim that Locke is a mere unconscious mouthpiece for developing market relations in 17th-century England, unwittingly taking for granted the master-servant relation and merely importing it, untheorized, into his property doctrine. Locke was so far from unconscious of the master-servant relation that explaining it was his chief goal in the chapter on property.

This insight into the aim of chapter 5 confirms Mack's basic conclusions about the consequences of the introduction of money. The complete ownership of the world, which in a sense is equivalent to the expropriation of some from their primitive rights, is neither a denial of the rights of the expropriated (if we may even speak of them in that way) nor a disaster for them. As Mack rightly brings out, the landless retain their rights (as the right to sell their labor for wages) and their benefit (as the increased productivity that the unleashing of labor power made possible by the introduction of money). The landless retain "the great foundation of Property" in their labor power and do accrue property in the form of the wages they gain with their labor.

"As justice gives every man a title to the product of his honest industry, and the fair acquisitions of his ancestors descended to him; so charity gives every man a title to so much out of another's plenty, as will keep him from extreme want,"

The assumption behind Locke's presentation of the mature post-money world is something like a full-employment economy. This is "ideal theory." Mack brings out very well Locke's implicit point that if this assumption of ideal theory is not met, there is a just basis for complaint by those both dispossessed and unemployed. As he says in 1 Tr42: "As Justice gives every Man a Title to the product of his honest Industry, and the fair Acquisition's of his Ancestors descended to him; so Charity gives every Man a Title to so much out

of another's Plenty, as well keep him from extreme want, where he has no means to subsist otherwise."

Locke is using somewhat traditional language but his meaning is quite untraditional, for he speaks here of granting a man a "title," i.e., bestowing on him a right, via charity. In speaking in that way Locke is in effect saying that "charity" is not something different from justice (as it traditionally was thought to be) but under the situation specified is a matter of justice or right. That is to say, what he is speaking about is not charity at all, but an en-titlement. This "right" to support for the otherwise resourceless connects to Mack's discussion of Locke's essay on the Poor Law. I believe that Locke's point is that the propertied should honor the right of the resourceless via a public policy rather than as helter-skelter individuals. As Mack makes clear, Locke outlines a kind of welfare policy that meets the obligations of providing support for those unable to support themselves in the wage economy without providing incentives for dependence or shirking. It is of some interest, I think, that Thomas Paine, a few generations later, picked up on Locke's basic argument and developed from it a more full-blown plan for something like a welfare state.

[For further discussion, interested readers might consult my forthcoming essay, "Two Paths from Revolution: Jefferson, Paine and the Radicalization of Enlightenment Thought" to appear in Simon Newman and Peter Ounf, eds., *Paine and Jefferson in the Age of Revolutions* (University Press of Virginia, forthcoming, 2013.)]

Placing chapter 5 in the context of the line of argument of this part of the *Second Treatise* has the further consequence of highlighting a feature of Locke's doctrine that does not always stand out, and which does not receive much notice in Mack's essay. As Locke emphasizes and Mack reports, Locke partly justifies the movement from the universal common to total but unequal ownership of the earth by claiming that all are better off than they would be in a pre-private property world: the famous day-laborer versus the Indian chief. Mack points out that it is not universally true that all are better off—the point Locke concedes in his proposal for a poor law. Mack, however, does not emphasize the other important aspect of Locke's thesis: Although all or almost all are indeed "better off" in the sense of materially better off, the members of society are far

from *equally* better off, as Locke's emphasis on explaining the existence of a class of men who have no property but their persons and nothing to sell or barter but their labor. Civil society, commerce, and money raise all the boats, but some are way at the top of the wave and others in the trough. Locke does not take this as a justification for redistribution, in part for reasons not too far from Rawls's theory of justice—this is the arrangement from which all do benefit and therefore the inequality is justifiable and just.

Nonetheless, Locke's account brings out the nature of society and politics in a propertied society: It is a class society, and it is a politics of actual or potential class conflict. Locke may be correct that as a matter of political morality the property-less would be doubly wrong to attempt to expropriate the propertied, just as it would be wrong for the propertied to govern in such a way that the property in their persons of the otherwise property-less was endangered. That, precisely, is the political problem that comes to sight when focusing on the chapter on property as aiming to explain the existence and legitimacy of a free class of self-owning but otherwise property-less men.

3. THE CONVERSATION

1. Eric Mack's Reply to Jan Narveson (January 15, 2013)

I thank Jan Narveson for his generous, thoughtful, and thought-provoking comments. Narveson raises five or six really important issues, including concerns about whether there is any need to argue against the proposition that nature is the joint property of all mankind, concerns about how precisely to formulate Locke's "enough, and as good" proviso, and concerns about my non-Lockean willingness to assign a major role to conventional rules in the generation of legitimate property rights. [1]

However, at this point, I am going to focus almost entirely on one issue where I think there is a really deep philosophical disagreement between Narveson and myself. In doing so I hope to highlight a crucial and contentious feature of natural-rights doctrines – a feature that is much too readily taken to be a fundamental defect of such doctrines. To complement the discussion of the character of natural-rights theory, I will say a word or two about Narveson's alternative approach to vindicating really basic moral rules. Needless to say, I will only be dipping a toe or two into the depths.

The really deep philosophical dispute between Narveson and me concerns what sorts of reasons exist for endorsing or condemning actions, or for affirming or rejecting really basic moral principles or really basic rights. I think (and I construe Locke as thinking) that certain "morally significant features" of other people provide me with nonprudential and nonstrategic reasons to be circumspect in my conduct toward them. Because persons have these features they matter; and they matter in a way that limits what I may do to or with them. Natural-rights theories seek to identify core natural features of persons that explain why they have a status or standing that morally precludes their being subject to certain sorts of treatment. For Locke these morally significant features include others being one's moral equals, others not being made for one's own purposes, others having ultimate ends of their own that they are rational to advance, and others each having reason to claim freedom from interference as the crucial condition of their advancing their own ends. Nat-

ural-rights theorists think that such facts about others have moral import for one. They provide one with reason not to do certain things to other people – like destroying them, locking them up, or converting them into wall-hangings – which one is perfectly morally free to do to other sorts of entities.

Why is one morally precluded from destroying other people, locking them up, and converting them into wall-hangings? Why may they *demand* that one not subject them to such treatment? According to any natural-rights doctrine the crucial answer is *not* that such treatment would have untoward consequences – for the agent or for the subject or for society at large. Bad consequences for the agent may provide the agent with prudential reasons not to impose that treatment, and bad consequences for the subject or for society at large may provide the agent with reasons of benevolence not to impose that treatment. Nevertheless, the wrongness of imposing those sorts of treatment is not contingent upon that treatment having untoward consequences for the agent or the subject or society at large. The wrongness of imposing those sorts of treatment is not contingent on the agent having prudential reasons or reasons of benevolence for eschewing those kinds of treatment. That is why, according to the natural-rights theorist, one can know that one ought not to inflict such treatment without knowing that its infliction would have bad consequences for the agent or the subject or society at large. One can know that one ought not to inflict such treatment without knowing that it will have untoward consequences because one can *reason* from persons having traits like being one's moral equal, not being made for one's purposes, and so on *to* one's having reason not to inflict such treatment. Or so natural-rights theorists like Locke contend.

My point here is not that all these contentions are correct but rather that it is crucial to any (genuine) natural-rights position that there are nonconsequentialist reasons against certain types of action – reasons that are provided to one by morally significant features of persons. One subscribes to the consequentialist conception of reasons if one believes (as many do) that all reason for or against actions is a matter of the value or disvalue of the consequences of those actions. And, if one subscribes to this consequentialist conception of reasons, one will think that the sort of reasons that have to exist for natural-rights doctrines to make sense simply do not exist. I believe that Narveson thinks that

all purported natural-rights accounts of fundamental moral principles have to be “[b]ad accounts, or non-accounts” precisely because he subscribes to such a consequentialist conception of reasons.

However, this narrow conception of reasons is challenged by the thought that persons – beings who are one’s moral equal, who are not made for one’s purposes, and so on -- matter in a way that places moral limits on what one may do to or with them. Since natural-rights accounts incorporate this thought, invoking the consequentialist conception of reasons to dismiss natural-rights accounts illicitly presupposes a conception of reasons that natural-rights doctrines reject. This does not show that any natural-rights account is correct. It merely shows that dismissing all such accounts as bad accounts or as non-accounts on the basis that all reasons must be consequentialist in character fails to take the character of natural-rights positions seriously.

Narveson prefers a mutual-advantage account of basic moral rules. On this account a rule is justified if and only if we are all better off with general compliance. But the well-known problem with this approach is that (almost) every individual would be better off yet if others generally complied with the rule while he got to violate it when he can do so without being detected. (Narveson himself asks, “What about those who exploit the compliance of most of us with Locke’s natural law...?”) The problem is that if each individual is prepared to break the rule when doing so is more advantageous for him, and each knows that each is so prepared, we get general noncompliance – which is worse for everyone.

My contention is that we will get general compliance with nifty rules – like refrain from violence against nonviolent others – only if people take themselves to have nonconsequentialist reasons to abide by those rules. The perception that there are certain constraints on how one may treat other persons -- because they are persons – is a necessary catalyst for the general compliance that is mutually advantageous. As Locke put it in his early *Essays on the Law of Nature*, “Thus the rightness of an action does not depend on its utility; on the contrary, its utility is a result of its rightness.” [2]

Endnotes

[1] On the conventional rules issue, see Eric Mack, “The Natural Right of Property,” *Social Philosophy and Policy*, v.27 no.1 (Winter 2010), 53-79.

[2] *Essays on the Law of Nature*, 79-133, in *Locke: Political Essays*, Mark Goldie, ed. (Cambridge: Cambridge University Press, 1997), 133.

2. Jan Narveson's Comment on Eric Mack (January 15, 2013)

Eric Mack is right to think that we have a serious philosophical disagreement on the matter of the foundations of rights. We are in agreement (and everybody else is too, I hope!) that rights are natural in the sense that they aren't a matter of what some legislature or king decrees, but stem from how people are, how they relate to each other and their environment. He characterizes my counter-view as: “The wrongness of imposing those sorts of treatment“ is “contingent on the agent having prudential reasons or reasons of benevolence for eschewing those kinds of treatment.” I admit that I don't see how this could not be so. Why would we care about rights if the things they protected for us were things that just didn't matter to us? Eric says that persons “matter.” As a moral proposition, I agree: But matter how? On his view (or Kant’s comparable one), it seems that other people “mattering” is a *fact* about all of us. If it were so, why do some people kill others or take their stuff? I don't see how the answer could be anything other than that morality is interpersonal -- it's the forming and inculcating of interpersonally authoritative rules of behavior. I can't expect you to respect me and what matters to me if I won't in turn respect you and what matters to you. If that isn't enough (and apparently for some it isn't) to induce us both to make and keep the commitments of morality, then we are reduced to war -- and telling our enemies that they are bad people while they're at it, though true, isn't going to do any good unless there is some *reason* (that they can understand) *why* people who do the sorts of things they are doing are rationally regarded *as* bad.

It is *not* a “problem” with the social-contract view that while cooperation is better for all, noncooperation is often better for each. The fact that general noncooperation is far worse for everyone, including the non-cooperating agent, tells us a lot -- in the end, I think, everything. It explains both why people often do evil and why we need to redouble our efforts to see to it that they don’t. But it does not in the least impugn that what they are doing is indeed wrong -- for wrongness is a matter of acting against rationally imposed rules for all. It not only doesn't need to be anything else, but it really can't be.

3. Eric Mack’s Response to Peter Vallentyne (January 16, 2013)

I now thank Peter Vallentyne for his very gracious and challenging comments. I want to address several of the issues that Vallentyne raises. Most of these issues arise within the context of the debate – or, let us say, conversation – between theorists (like myself) who are labeled “right-libertarians” and theorists (like Vallentyne) who are labeled “left-libertarians.”[1] Moreover, since most, if not all, members of each of these philosophical sub-camps see themselves as endorsing “a Locke-inspired version of libertarianism,” one can also describe the philosophical conversation as being between “right-Lockeans” and “left-Lockeans.” This is not a conversation about exactly what John Locke actually believed but rather one about what is the best philosophical elaboration of the basic elements of Lockean political theory as those elements themselves are best understood.

“Though the earth, and all inferior creatures, be common to all men, yet every man has a property in his own person: this no body has any right to but himself.”

Both “right-Lockeans” and “left-Lockeans” recognize in Locke and themselves affirm that “every Man has a *Property* in his own *Person*. This no Body as any Right to but himself. The *Labour* of his Body, and the

Work of his Hands, we may say, are properly his.” [ST §27] This is a statement about each person’s natural (or original) moral condition. Each is “Master of himself, and *Proprietor of his own Person*” [ST §44] in the sense that each is morally at liberty to dispose as he sees fit of the elements that compose his person and each has rights against all others not to be prevented from disposing of his person as he sees fit.

For our current purposes, it is important to note that this affirmation of “self-ownership” is anti-egalitarian in the sense that individuals are ascribed rights over very unequal “shares” of personal resources. Some individuals will have rights over considerably more in the way of mental or physical capacities and levels of energy and get-going-ness than others. In addition, it looks as though the affirmed and rightful inequality in personal resources will in all likelihood generate inequalities in extra-personal holdings – in the number of acorns that people will gather, the extent of the fields that they will cultivate and the crops that they will harvest, and the minerals they will mine and refine. As Locke says, “Different degrees of Industry were apt to give Men Possessions in different Proportions....” [ST §48]. And when the invention of money engenders more elaborate forms of labor and commerce, this inequality in extra-personal holdings will be enlarged. When individuals with rights over their talents, energy, and labor bring these factors to bear on the natural materials that surround them, we seem to get rightful inequalities of extra-personal holdings. Left-Lockeans, however, want to push back against these apparently anti-egalitarian implications. They want to find bases within a fundamentally Lockean approach for something like equality in the distribution of the blessings of nature – or even (in some left-Lockeans) something like equality in the distribution of all extra-personal holdings.

The Lockean text suggests four ways in which a Lockean might launch an argument for some degree – perhaps a very considerable degree – of mandated equality in extra-personal holdings. The least promising of these is Locke’s advocacy of a spoilage proviso according to which, even if I have mixed my labor with some natural material – e.g., even if I have gathered all three of these bushels of berries – if some of the labor-invested material will spoil in my possession, others are morally at liberty to take that material. But, as Locke points out, the spoilage proviso provides little room for

inequality reducing transfers of extra-personal holdings, for only the most irrational people will invest their labor in gathering more berries than they can consume without spoilage or can barter away for other consumption goods. And once money comes along, all those extra berries can readily be converted in to silver and gold coins that never spoil.

Locke tells us that the earth has been given to all mankind in common. There are two very strong interpretations of this claim, each of which seems to require something like an equal distribution of the blessings of nature. One interpretation is that we are all by nature joint-owners of the earth and hence any private appropriation requires everyone's agreement. The other interpretation is that each of such is naturally the owner of a discrete equal share of the earth. (Locke himself rejects both of these interpretations.) As I see it, the history of left-Lockeanism (or left-libertarianism) has largely been the history of people trying to defend one or another of these strong propositions and then trying to show the coherence of a system that includes one of these propositions and self-ownership. One of the striking things about Vallentyne's left-Lockeanism is that Vallentyne disavows both of these strong claims about original equal rights to nature and accepts the position of Locke (and of right-Lockeans) that nature is originally unowned.

"... which Question will at first seem strange, since the Establishment of Property seems to have extinguished all the Right that arose from the State of Community. But it is not so; for we are to consider the Intention of those who first introduced the Property of Goods. There is all the Reason in the World to suppose that they designed to deviate as little as possible from the Rules of natural Equity;"

Another opening for the insertion of equality into a Lockean system is Locke's claim that an individual who is in extreme want is morally at liberty to take the

loaf of bread that she needs to avoid starvation from the otherwise rightful owner of that loaf. Vallentyne agrees, and so do I. Locke in fact seems to make a much stronger claim on behalf of the party in dire circumstances. In his *First Treatise* he declares that "charity gives every Man a Title to so much out of another's plenty, as will keep him from extream want, where he has no means to subsist otherwise...." [FT §42]. Notice that this moral-liberty argument goes beyond the spoilage proviso because the party who needs to take the loaf to avoid starvation may take the loaf even if it will not otherwise spoil.[2] On the other hand, the doctrine that people are not obligated to sit and starve or even that there is a duty of charity to prevent starvation hardly gets one to anything like an egalitarianism of extra-personal shares of nature.

Notice that in this *First Treatise* passage Locke says that the person in extreme want has a "Title" to what she needs to survive – albeit it is a title bestowed by charity and not by justice. This raises some of the same philosophical issues considered by Vallentyne toward the end of his remarks. Does the loaf-holder have a *duty* to hand the bread over to the starving individual? Does he at least have a *duty* to allow her to exercise her liberty to take the bread? If the loaf-holder has duties with respect to the person in extreme want does that mean that she has claim-rights against the loaf-holder? In *A Letter Concerning Toleration*, Locke holds that although uncharitableness is a sin, it is not subject to punishment by the magistrate because uncharitable conduct is "not prejudicial to other mens Rights..."[3]

The fourth opening for something like the equal blessings of nature into a Lockean system is Locke's advocacy of the "enough and as good" proviso. The core idea of such a proviso is that people's acquisition of property and/or their decisions about how they will employ their property may not worsen the condition of others in some way. But in what way may people's condition not be worsened? And what is the baseline for determining whether a person's condition is worsened in the specified way? And what justifies any such proviso and how does the affirmed proviso fit into an overall Lockean political theory? All these are matters of complex debate. What is salient here is that Vallentyne's left-Lockean position turns on the inclusion of a bold "enough and as good" proviso. Vallentyne's proposed proviso requires that an equally valuable share of natural resources be left for each individual or that each

individual receive due compensation for anything less than an equally valuable share being left for her. [4]

Vallentyne quite rightly notes that he cannot be expected to defend this claim in a short commentary on a short essay about Locke. So it would be unjust for me to launch a full-scale critique here. I will merely highlight three difficulties that I expect readers of this conversation to have. The first is the difficulty of determining what an equally valuable share of natural resources would be. The second is the difficulty of seeing why the benefits provided by natural resources should be shared equally. The third is the difficulty of thinking that raw nature, to any significant degree, provides us with benefits. An important Lockean doctrine is that what provides us with benefits is people doing things with raw stuff that would otherwise be worthless.

Endnotes

[1] For a variety of reasons, I dislike these “right”–“left” labels.

[2] A really interesting discussion of this issue of which Locke must have been aware appears in Hugo Grotius’s great 1625 treatise, *The Rights of War and Peace*, (Indianapolis, IN: Liberty Fund, 2005), Bk.II, Ch.II, VI-IX. Editor’s Note: Hugo Grotius, *The Rights of War and Peace*, edited and with an Introduction by Richard Tuck, from the Edition by Jean Barbeyrac (Indianapolis: Liberty Fund, 2005). Vol. 2. Bk. II CHAPTER II: VI: Of Things which belong in common to all Men. <http://oll.libertyfund.org/titles/1947#Grotius_0138.02_77>.]

[3] *A Letter Concerning Toleration*, ed. J. Tully (Indianapolis, IN: Hackett Publishing, 1983), 44. Editor’s Note: Or see Liberty Fund’s edition, John Locke, *A Letter concerning Toleration and Other Writings*, edited and with an Introduction by Mark Goldie (Indianapolis: Liberty Fund, 2010). <<http://oll.libertyfund.org/titles/2375>>.]

[4] Vallentyne might go further. He might require that each be left with a large enough share to provide her with an equal opportunity for wellbeing or receive due compensation for not being left with such a share.

4. Peter Vallentyne’s Reply to Eric Mack (January 17, 2013)

I have no disagreements with Eric’s excellent response to my commentary. I will here take the opportunity to reply, very briefly, to the three questions he raises at the end.

The first question concerns how the value of shares of natural resources is determined. I would defend an appeal to the competitive value (based on demand and supply) of the rights held over (unimproved) natural resources. There is some indeterminacy in this notion, but a suitable auction would be one example, as would be the market-clearing price in a suitable free market. This general approach is endorsed by Hillel Steiner and Henry George,[1] and some jurisdictions (e.g., Hong Kong, I believe) tax landowners on this basis.

Related to this is the third question, which concerns how raw natural resources could have any value apart from what people might do with them. I fully agree that their value so depends. The value of rights over some natural resources (e.g., beautiful beachfront) is higher than that of rights over other resources (e.g., ugly beachfront) precisely because there is more that people can or want to do with them.

The second, and remaining, question is why the value of natural resources should be shared equally. This is a more difficult question. If I were a moral realist, I would say that moral reality includes such a requirement (and of course I would need to justify this claim). I am not, however, a moral realist, and so I view this a matter of what moral principles we would endorse in a suitable reflective equilibrium (after much information gathering, reflection, discussion, etc.). I find full self-ownership plausible, but I also find a *limited* requirement for some form of substantive equality plausible. Some kind of egalitarian proviso on appropriation (and use) of natural resources seems like a plausible limited requirement. I fully recognize, however, that others (most others!) do not share this view. I thus view it, like all normative matters, as a matter for continued reflection and investigation. I should emphasize, however, that the issue of justification arises no

matter what position one takes on the appropriation proviso. One can always ask why some specific proviso is the relevant one, rather than some other one, or none. The egalitarian proviso does not face, that is, any special burden of justification compared to other versions. They all face a very strong burden.

Endnotes

[1] Hillel Steiner, *An Essay on Rights* (Cambridge, MA: Blackwell Publishing, 1994). Henry George, *Progress and Poverty* (New York: Robert Schalkenbach Foundation, 1879). See the OLL edition: Henry George, *Progress and Poverty: An Inquiry into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth, The Remedy* (Garden City, NY: Doubleday, Page, & Co. 1912). <<http://oll.libertyfund.org/titles/328>>.

5. Eric Mack's Comment on Michael Zuckert (January 20, 2013)

I have already thanked Jan Narveson and Peter Vallentyne for their gracious and thought-provoking comments. I now thank Michael Zuckert, who, as is always the case, reveals to me interesting ways to look at philosophical texts and issues that would otherwise be beyond my ken. It is very gratifying to have such distinguished thinkers as commentators and friends.

Zuckert zooms in on what seems to be a curious feature of Locke's *Second Treatise*. Locke's treatise is very reasonably viewed as (among other things) a defense of an economic order in which owners of extra-personal productive resources employ individuals who possess little in the way of productive resources beyond themselves. Such an economic order will be shot through with employer-employee relationships – or, in Locke's language, with master-servant relationships. Moreover, Locke mentions master-servant relationships as one of the several types of relationship that are to be distinguished from the political ruler-political subject relationship. Nevertheless, while Locke devotes good segments of chapters to the owner-slave, the parent-child, and the husband-wife relationships before going on to

ruler-subject relationship, he does not seem to offer a comparable discussion of the master-servant relationship. Zuckert's resolution of this curiosity is that the chapter "Of Property" – which is located between chapters that focus on these other relationships – is in reality about the master-servant relationship. It is an elaborate justifying explanation of the emergence of an economic order that is shot through with employer-employee relationships.

I think that this is a very illuminating point even though (or especially because) the only explicit reference to servants that I recall in "Of Property" is Locke's assertion that,

Thus the Grass my Horse has bit; the Turfs my Servant has cut; and the Ore I have digg'd in any place where I have a right to them in common with others, become my Property, without the assignment or consent of any body. The labour that was mine [including my horse's labor and my servant's labor], removing them out of that common state they were in, hath fixed my Property in them.[1]

Still, I think that there is another respect in which "Of Property" is strangely silent given Locke's place as a crucial defender of a private property commercial order. Locke never takes up the question of why freely contracted exchanges give both parties rights *against the world at large* to what those parties receive through such exchanges.

Consider a situation in which *A* has a property right to a particular silver coin and *B* has a property right to a particular wool coat and they voluntarily agree to an exchange of the coin for the coat. It is pretty clear why, in virtue of their agreement, after the exchange *A* has a right *against B* that *B* not grab the wool coat and that *B* has a right *against A* that *A* not grab the coin. Each has the specified right *against the other* in virtue of the binding moral force of contracts. As Locke says, agreements are binding in the state of nature because "truth and keeping of faith belongs to men, as men..."[2]

But why does *A* now have a right *against everyone* that they keep their hands off the wool coat and why does *B* now have a right *against everyone* that they keep their hands off the silver coin? One might say – albeit Locke does not try this – that *A* and *B* don't merely exchange the coin and the coat; they also exchange their rights. *A* transfers to *B* his *right against the world to*

the coin and *B* transfers to *A* her *right against the world to the wool coat*. But I think saying this at best amounts to saying that *somehow* the agreement between *A* and *B* results in *A* having a right against the world to the coat and *B* having a right against the world to the coin. Yet what is needed is some explanation of how the voluntary exchange has this effect. I think that there are two factors that explain Locke's failure to note the need to provide an explanation for how voluntary transfers of just holdings bring it about that the recipients now have rights against the world to what they have received in trade.

First, I think that Locke is quite appropriately impressed with the moral power of agreement. For this reason he does not notice that, while it is clear that if I agree to transfer my coin to you, I am bound not to grab it back, it is not so clear why everyone else becomes obligated *to you* not to take the coin. Second, along with all other 17th-century theorists, Locke is focused on how property rights initially arise – on how portions of the natural world are justly removed from the commons and converted into property. The task that he sets for himself in “Of Property” is to explain how just *initial* acquisition is possible (in the absence of the world at large agreeing to such acquisition). Locke simply takes it for granted that justice in transfer is possible.

There is another significant silence in and around Locke's chapter “Of Property.” I've argued that Locke provides a forceful explanation for why the appearance and increasing articulation of a system of private property and trade will benefit all (or nearly all) persons. But this is, as Zuckert points out, a bit of “ideal theory” that may not fully address the world as it actually is. One way that Locke's theorizing about how the rise of property *could be* just and mutually beneficial does not connect to the actual non-ideal world is that Locke remains silent about the extent to which the actual holdings – especially the land holdings -- of the world in which he lived were just or unjust and to what extent individuals were worse off than they would be because unjust holdings were in fact upheld. My presumption is that it simply does not occur to Locke to investigate the gap between his philosophical account of just holdings and those actually existing holdings. Perhaps – I think this is a Zuckert-like thought -- he saw the gap but judged that the most he could do was to leave it to others to see the gap as well.

Zuckert is impressed by the extent to which the gains to participants in Lockean commercial society are unequal – more specifically, by the extent to which the gains to those who are propertied are greater than the gains to those who are property-less. As I understand Zuckert, he is saying that, although justice may not condemn this unequal gain, we have to recognize the sense in which Lockean commercial society is a class society. Here I would just want to put forward an alternative picture for consideration. On that picture (i) many of the gains and the losses in Locke's actual world and in ours derived or now derive from the sorts of economic predation that good Lockeans condemn; (ii) many of those illicit gains accrued and now accrue to those who are already powerful and hooked up to concentrated political interests, and many of those unjust losses fell and now fall on those who are already weak and unrepresented in coalitions of concentrated interests; and (iii) the important class division is the too-often unrecognized division between those who gain from predatory measures that Lockeans should condemn and those from whom those gains are extracted.

Endnotes

[1] *Second Treatise*, §28. <http://oll.libertyfund.org/titles/222#lf0057_label_229>.

[2] *Second Treatise*, §14. <http://oll.libertyfund.org/titles/222#lf0057_label_215>.

6. Jan Narveson's Reply to Eric Mack (January 20, 2013)

Libertarians need to address, very seriously, the questions raised between Eric Mack and Peter Vallentyne regarding, broadly speaking, the treatment of those on the “bottom” (that is, the bottom of the honest-dollar scale, but not the robbers and wastrels.)

Locke's opening pitch in the famous chapter on property takes it that nature belongs to mankind in common. Mack's original essay in effect says that Locke virtually undoes that position. In a sense that's true, but it's also true that he is in a position of *having* to undo it.

He evidently thinks that there is something very robust about the claim, even if it's only a strong *prima facie* claim.

Now, Locke also says, in introducing the thought, that "*God* gave the earth to mankind in common." This introduces theological notions into the foundational discourse on these matters, and there is decisive, definitive reason for refusing to countenance such notions here -- a fact that Locke isn't sufficiently aware of (hence the, it seems to me, totally inexcusable book by Jeremy Waldron holding that all of Locke's views depend on his religion, and apparently implying that he was even somehow on the right track in this respect.[1] But Waldron is completely wrong about that. In the present context, the point that can easily be made is: How does Locke *know* that God gave the earth to *all* of us equally, as he says, rather than, say, just the Aryans or the Inuits, or whatever, or that he gave it highly unequally to his buddies? In context, it's obvious that Locke "knows" this because he believes, antecedently, that the earth *does* belong to us all in common, and therefore *of course* that's who God would, in all conscience, have given it to. The circularity is obvious.

But what that means is that some independent argument has to be given for it. And such argument is, to put it mildly, seriously lacking, even though my impression is that somewhere just short of 100 percent of contemporary social philosophers seem to agree with Locke on the substantive point.

But I don't, and I don't see how libertarians in general can. The reason they can't is simple: *If* indeed all we have, at bottom, is the right to *liberty*, then that right must be essentially *negative*. Now, a negative right over the earth has the problem that all rights are rights against *other people*. And a right against those others to a "share" of "the earth" is one that cannot be backed by strictly negative rights. If the earth is available for exploitation by free men, then there is no way to infer that everyone is *entitled* to some, either in the way of an equal share or anything else. If our only duty is to refrain from aggression, then some may starve because others, quite non-aggressively, neglect them.

I don't see how "left libertarianism" can be founded in liberty, and in Peter Vallentyne's account, it's not. On his account, it seems to me, liberty is a surd. But that's not a point of contention between Eric Mack and myself, so I won't pursue it here.

The question that remains is: Do we have any business asserting such positive claims if we are libertarians? If we are it would have to be this: that somehow, in the process of appropriating bits of the earth, those who end up with nothing in pure free-enterprise environments, due to whatever -- say, lack of talent or brainpower, or whatever -- have somehow been *deprived* of something by the rest, the ingenious and industrious. *If* that were so, we of course could infer our duty to help them out.

But it's at least not obviously so. The person born with no brain, or whatever, isn't going to make it regardless of his property rights. The Lockean idea, not to mention the Rawlsian idea, simply can't be based on that. Let's agree that the libertarian insists that we not put people below the relevant baseline. (In response to both Mack and Vallentyne, this baseline is simply where people would be in a state of nature even if it's Lockean rather than Hobbesian.) The answer, unfortunately, is that quite a few of them would be dead. Locke is perfectly right to point out that nature of itself supplies us with *nothing*. Some technology is essential, however minimum. (I include, say, the rudimentary, innate technology by which newborns seek their mothers' breasts. It does not, however, include the know-how necessary to increase product when Mom's breasts, alas, don't work properly or she is too low on sustenance to keep the supply coming.)

Nevertheless, there are three points that seem to me between them necessary and sufficient.

First, in any even moderately decent times (and if that's lacking, see point three), there are lots of caring people around who will be ready and willing to contribute to appropriate helping agencies. We who worry about the down-and-out do not have a problem. We have, of course, a horrendous problem with governments whose policies shore up the unemployment rate, but we do not have a problem that people will starve to death in a libertarian world -- at least, not so long as most of them are pretty much like almost everybody that you and I know. The frequent aspersions on private charity by the friends of the welfare state -- exhortations that we shouldn't throw the very poor on the "tender mercies of arbitrary charity" etc. -- are not just derogatory but completely baseless. It is characteristic of leftists, and a good many knuckle-headed rightists, to say such things, but anyone who knows any appre-

cialable number of real people knows that the cynics simply don't know what they're talking about. (Of course, those who will be charitable if they can may sometimes be unable to be so. See point three below.)

Secondly, let's also agree that modern technological environments make it highly likely that a lot of people who are perfectly competent will nevertheless end up unemployed now and then, and it may be that the skills some of them honed with years of study and practice and that are now redundant may also make it very difficult for those people to switch to other occupations that would get them back on track economically. However, I don't see that these problems of themselves generate the kind of across-the-board, open-ended case for "equal rights to natural resources," with whatever Vallentyne can somehow extract from that in the way of hard cash. What's needed is a return to prudence: saving for the future during good years, etc.

And thirdly, any idea of "guaranteeing" equality, and in particular guaranteeing it in such a way that every individual is kept above some floor level, enough to keep him alive and functioning, has the problem that moral principles can't of themselves actually guarantee anything whatever. If there absolutely isn't enough to go around, then what? It is, again, impossible to see how the libertarian can say anything other than that in such circumstances the smart, the quick, and the lucky will make it and those with the opposite properties will not. But as I've said above, there is absolutely no reason to think that the world we live in either is now or will in the foreseeable future be a world of such niggardliness. All that's true here is that advocates of positive rights for all have to run out of gas on sheer supply problems at some point, so far as pure theory is concerned. The earth will get zapped by a comet, or boil, or freeze, and there may not be a thing we can do to prevent mass starvation or some such. Pure theory is for debaters only: Again, in the real world the efforts of so many ingenious and humane people -- think, e.g., of Norman Borlaug -- have simply solved any real supply problem, and they will continue to do so as long as the earth bears much resemblance to what it has been for the past many millennia. The claim that Borlaug is merely "equal," in libertarian terms, to the most down-and-out incompetent among us when it comes to claims on "shares" of developed resources is so utterly absurd as to make the egalitarian case a nonstarter.

The upshot is that libertarians do not need to follow Locke in his inconsistent insistence on positive rights for the starving. (It is inconsistent: Mack points out that "Locke holds that although uncharitableness is a sin, it is not subject to punishment by the magistrate..." -- and that, after all, is the *only point at issue*.) Some people's rights, of themselves, will not keep them alive; but warmhearted, sympathetic, and industrious people will do so. That's all we need -- as well as all we are theoretically entitled to.

Endnotes

[1] Jeremy Waldron, *God, Locke, and Equality* (Cambridge: Cambridge University Press, 2002).

7. Michael Zuckert's Comment on Eric Mack (January 20, 2013)

Eric's generous opening gesture about my comment bringing out insights "beyond his ken" may be a bit of an overstatement, but it does bring out something of a difference between many of us who approach political philosophy from within political science and those, like Eric, who do so from within the discipline of philosophy. I suppose there are many ways to describe the difference but one way is to note what Eric's comment directly points to—readers like me are more emphatically concerned with the text of the philosophers than readers like Eric. He is directly concerned with the arguments and tends to see them in an acontextual and ahistorical manner. We tend to be concerned more with the text as text and to be attentive to the place of arguments within texts and within history. Thus in my original post I was trying to solve a puzzle about Locke's organization and order of argument. But in doing so, I believe, some substantive points of interest emerged that do not nullify the excellent interpretation that Eric developed but give some different emphases to Locke's property doctrine. Although the differences between us are slight I think they do mostly revolve around this difference in the way we approach philosophers like Locke.

With that preface let me make some specific responses to Eric's comments.

1. On a relatively fine textual point: Eric observes quite correctly that the only place where Locke refers to the master-servant relation directly in chapter five is the famous "the turfs my servant has cut" passage. This was the passage that C.B. Macpherson (*Possessive Individualism*) referred to as merely reflecting emerging market relations in and therefore as evidence for his Marxist way of reading major texts of the 17th century.[1] One of my points was to show that Locke was not merely not taking for granted relations in his society, but that the very point of the chapter was to show how there might rightly be masters and servants. But beyond that, Locke refers once more, though not in these terms, to the master-servant relation when he speaks of the day laborer in a passage Eric too makes much of. Locke has shown us how there come to be day laborers, i.e., men who have no land and no direct access to the fruits of the land and who therefore must sell their labor. To show that they are not harmed in their rights or in their welfare is, one could plausibly say, the main point of the chapter.

2. Eric uses this example of the servant and turf to raise an interesting philosophical question: How does Locke explain the force of exchange and contract in creating rights against all comers, not just vis-à-vis the exchangers. Here Eric makes a move rather like Macpherson—he concludes that Locke is just taking for granted a relation or practice that exists in his society and has not given it any thought. Perhaps, but I wonder if the Lockean line of answer to this question would follow tracks similar to those that lead to rights against all comers for original appropriators. I do not follow that up here, but it would be an interesting argument to pursue.

3. Similarly, Eric says that it does not occur to Locke to investigate the gap between his account and current holdings. I cannot believe that this is correct. Locke's discussion in the immediate context has the purpose of refuting Filmer's claim that existing property relations cannot be justified on the basis of the contractarian/state of nature/original commons arguments he means to counter with his patriarchal doctrine. Only if the world is originally owned and then passed on can private ownership rightly exist, as Filmer has it. This point comes out very strongly in Filmer's

critique of Grotius on property and the law of nature. So Locke's task is precisely to show the legitimacy of the existing relations and distribution of property—in general if not in every detail. He could not have overlooked the bearing of his argument on property holdings in his society. I actually think Eric and I agree more here than he sees, for he makes much of Locke's poor-law proposal, which is a response to the "gap" between the very general account he gives of property in a money economy with its assumption for this purpose of a full employment economy and the realities of his and all societies.

4. Eric suggests that my claims about the class character of Lockean society is perhaps more a result of economic and political practices and policies of which Locke would not approve and which he would work to overcome. Probably correct to some degree. Nonetheless, I believe the main point still holds. First, as I suggested above, Locke is writing to legitimate the property relations of his society. These are marked by great inequality of holdings. Second, he seems to believe that the dynamic of the money economy leads to great inequality under all conditions. After all, he takes on the burden of trying to show that the situation of the day laborer is just and right. And advantageous for all. The reason I raised the class issue in the first place is that it poses a serious political problem that Locke should need to face, and it is not evident how he meets it. That problem is how to maintain the property regime that benefits all but does so unequally in the face of temptations of the disadvantaged to disrupt those relations. We enter here issues such as the distribution of political power among the population, special constitutional means to protect property, and so on. The problem Locke points to but does not seem to resolve set the agenda for much of the political thinking and action of the next century, as men like Montesquieu and Madison (and many others) grappled with it.

Endnotes

[1] Macpherson, C.B., *The Political Theory of Possessive Individualism: Hobbes to Locke* (Oxford University Press, 1964).

8. Eric Mack's Comment on Jan Narveson 2 (January 20, 2013)

Jan Narveson provides a powerful response to my claim (on behalf of natural-rights theory) that one has reasons to be circumspect in one's treatment of others that are not reasons of prudence or benevolence. Jan's response is that there are things that matter to one and things that matter to others and surely this exhausts everything that matters. If one's reasons for action or forbearance derive from what matters, then all one's reasons must be reasons of prudence or reasons of benevolence. Jan's response is powerful because, at least for a moment, it is difficult to say what else matters.

Fortunately, I just watched a great documentary on the left-wing Current channel entitled *Marijuana Outlaws*, about folks growing marijuana in northern California – entirely, of course, for the legal medical marijuana market. These were all more or less counterculture people who have not had the friendliest past relationships with law enforcement. Because they don't know what to expect from the maze of law enforcement agencies – especially since they may be accused of supplying marijuana to non-medical consumers – they grow their crops in very remote places. Unfortunately, a consequence of this is that their crops can readily be stolen just as they are about to be harvested.

The last segment of the show involved interviews with growers whose crops had just been stolen. What was striking was the nature of their condemnation of what had been done to them. They all clearly believed that they had been wronged precisely because of the labor, effort, attention, and energy that they have devoted to their crops. Of course, they did not like ending up with \$70,000 or \$80,000 less income than they expected. They were not happy about that financial loss. Still, a great deal of what mattered to them was that they have been treated in a way that in itself was unacceptable. Their view was that human beings don't (i.e., shouldn't) go around taking other people's hard-earned stuff. There is something wrong with people who do treat others in these ways. (One grower said the thieves were "shits"; another said the thieves were creating "bad karma" that would eventually do them in.)

So everything that matters matters to someone. But one sort of thing that matters to people is not being treated in certain ways (above and beyond the consequences of being treated in those ways) and not themselves treating others in those ways. (The growers also talked about how much it mattered to them that their rights over their land be respected and how much it mattered to them that they respect others' land rights.) I think our view that there are certain constraints we ought to abide by in our interaction with others and that they ought to abide by in their conduct toward us is too deep to be a product of any sort of ends-oriented deliberation about what rule-compliance will be advantageous to oneself or to everyone.

Jan is right, of course, that for some people, being circumspect in the treatment of others does not in fact matter. Nothing I have said in this conversation shows that these people nevertheless have reason to be circumspect – though I think the sort of considerations Locke lines up do combine to provide reasons not to act in ways that interfere with others' pursuing their own ends. In some of my own essays, I have tried to lay out why any reasonable moral code has to contain important deontic restrictions.[1] All of that is a much bigger conversation.

Endnotes

[1] See "Prerogatives, Restrictions, and Rights," *Social Philosophy and Policy*, vol.22 no.1 (Winter 2005) 357-93, and "Individualism and Libertarian Rights," in *Contemporary Debates in Political Philosophy*, edited by John Christman and Thomas Cristiano (Oxford: Blackwell, 2009), 121-36.

9. Jan Narveson's Comments on Eric Mack and Michael Zuckert (January 20, 2013)

It is easy to misstate and to misread the view of us “reductivists” on moral matters, and it may be that Eric and I agree more than he thinks. His marijuana growers are of course right to complain about the thieves who deprive them of the fruits of their labors. The *ground* of their complaint is of the essence: Others intervened to lower their utility level – their quality of life -- relative to a nonaggressive Lockean baseline. But the complaint itself is expressed precisely and correctly in emotivist-approved terms – those thieves are a bunch of “shits.” To say this we surely need no further metaphysics, do we? (Of course, government intervention here is nearly at its worst and makes it most unlikely that the growers will be recompensed. In such a situation, use of “deontological” language is sure to flourish!

Eric’s response to me interacts with a point of Zuckert’s. The baseline of interaction is always the same: Lockean (and Hobbesian) nonaggression. Interactions that worsen no one’s condition are permitted; interactions that lower anyone’s condition are not. Aggression mucks up social relations, giving victims reason to react defensively, instead of being free to do their best with their natural endowments, such natural resources as may remain, and exchanges with others who have increased their property meanwhile. In the largely hypothetical original state, a person’s capital is mostly natural and affords a barely tolerable living; in developed social conditions, it makes even the day-laborer remarkably well off by comparison. But all that changes is the level of typical legitimate possessions of the rest of society. Given the potent combination of normal entrepreneurship plus normal levels of compassion, as time goes by this level gets very high.

None of the above entails anything about how much actual inequality there will be. We should note that as regards any Lockean intention of justifying the specific kinds of inequalities prevailing in his day, the huge problem is simply that the British landed gentry got their land by conquest and not by Locke-approved means. Justifying that on libertarian grounds is, *prima facie*, impossible. It’s a wholly different problem than the “problem” of justifying Bill Gates or Warren Buf-

fet. The latter’s holdings are (unless there are things going on that I don’t know about) due to beneficial interaction with millions and millions of people who freely spend their legitimately earned money on things they like or can use to advantage. Insofar as that was the case with persons of whatever class in 17th-century England, the moral situation is precisely the same.

Surely the problem of today is government “control” of economic relations. That was a factor in Locke’s time too, but not, I would think, nearly as great a one.

10. Peter Vallentyne's Response to Jan Narveson (January 20, 2013)

Jan asks whether left-libertarianism (i.e., with some kind of egalitarian proviso) can be “founded in [negative] liberty.” It can be so founded in the weak sense that (1) it is a form of Lockeanism that recognizes self-ownership and a unilateral moral power to appropriate natural resources, and (2) property rights ground negative liberties. It can also be founded in liberty in a stronger sense of being compatible with maximum equal negative liberty. I believe, however, that there is more than one set of rights that are so compatible (e.g., both radical right-libertarianism and radical left-libertarianism are so compatible). All the hard work is in justifying one set of rights rather than another.[1]

Jan writes, “If the earth is available for exploitation by free men, then there is no way to infer that everyone is entitled to some, either in the way of an equal share or anything else.” This seems quite false to me. We agree that agents initially have maximal equal liberty-rights, against all others, to use (unappropriated) natural resources. The point of disagreement concerns the conditions under which someone may unilaterally acquire private property in some natural resources, thereby causing others to lose their liberty rights to use those resources. Jan holds that (1) agents have very strong moral powers to acquire such private property (e.g., it’s enough to stake a claim or mix one’s labor, with no proviso), and (2) agents have a very weak moral immunity to losing their initial liberty-rights to use the natural resources. My left-libertarian view is quite similar, but it holds that the moral powers to acquire pri-

vate property in natural resources are weaker (e.g., subject to making a payment for the competitive value of private property rights acquired in excess of a fair [e.g., equal] share), and the moral immunities to loss of the liberty-right to use natural resources are stronger. This is not, I claim, a matter of Jan recognizing stronger negative rights than I do. It is a matter of his holding that the initial negative rights to use natural resources are more easily lost than I hold them to be.

Concerning Jan's three final points: (1) I fully agree that we are addressing only the enforceable duties of agents, and that agents frequently help others even when they don't have an enforceable duty to so and even when they have no duty at all to do so. (2) I fully agree that inequality of various sorts is unavoidable and that, even when it is avoidable, justice does not require equality of outcome (e.g., equal wellbeing, or equal wealth). Individuals are, for example, accountable for managing their resources wisely and are owed no duty of justice to undo losses incurred when they fail to do. (3) The issue is simply that of whether the proviso on appropriation requires a payment to others for any excess share appropriated. If it does, then that is a matter of property rights. The others have an enforceable right to acquire the payments owed to them.

To make this last point maximally clear, suppose that: (1) one person unconditionally owns a tract of land and some buildings on it (as Jan might hold), (2) she transfers full ownership of the buildings to her husband, and (3) she transfers full ownership of the land to her husband, except that it is conditional on his making an annual payment to each of the two adult children (while alive) equal to one-third of the competitive rental value of the land. This situation can arise under Jan's version of right-libertarianism. Left-libertarianism merely allows that something like this arises for all natural resources. Jan and others can reasonably reject this substantive view. I don't, however, see how this view is any less compatible with maximum equal negative liberty than Jan's preferred view.

Endnotes

[1] For discussion of this issue, see Shelly Kagan, "The Argument from Liberty," in *In Harm's Way: Essays in honor of Joel Feinberg*, edited by Jules Coleman and

Allen Buchanan (Cambridge: Cambridge University Press, 1994), 16-41; Jan Narveson and James P. Sterba, *Are Liberty and Equality Compatible?* (New York: Cambridge University Press, 2010.); and Peter Vallentyne, "Equal Negative Liberty and Welfare Rights," *International Journal of Applied Philosophy*, 25 (2011): 237-41 (as well as the pieces by Narveson, Sterba, and Gibbard in that issue).

11. Eric Mack's Reply to Peter Vallentyne 2 (January 20, 2013)

Peter Vallentyne's nice brief response to the questions that I have posed has got me thinking about a standard move that "right-Lockeans" such as myself make in conversations with "left-Lockeans" like Peter. This move is to challenge the use of "natural resources" to describe the "raw stuff" (berries growing on bushes, fish swimming this way or that, that ugly sticky stuff that we now call proven reserves) that left-Lockeans say ought to be equally divided among persons or say (as Peter does) everyone should receive the equal blessings of either through equal shares being left for everyone or due compensation being paid to everyone for whom an equal share is not left.

I think this right-Lockeans challenge is based on the idea that, *if* there is some deep, natural, original, equal right with respect the earth, *then* that right must be a right to an equal share of that *raw stuff* or to have an equal share left for one or to be duly compensated if an equal share of the *raw stuff* is not left for one. Ten of us just find ourselves right next to a heap of ten yummy acorns. *If* there is a natural right to the earth, it seems that in this situation it would be a right of each to one of those acorns or to have one acorn left for one or to be duly compensated if one is not left for one.

But the earth is not one big heap of acorns. There are berries, fish, and that ugly sticky stuff. So the question always gets posed: In a world with different types of stuff, what counts as an equal share? And the answer that is always given by left-Lockeans (and that Peter gives) is: An equal share is (something like) a share of equal market price. Right-Lockeans tend to go along with this proposal about what would count as an equal

share because they are so happy to hear a *market-oriented* answer.

But it now occurs to me that “right-Lockeans” should resist this move – this interpretation of equal shares. The reason for resisting is, I think, this: That which has market value is no longer merely a raw bit of the earth. That which gives any bit of the earth market value – people having views about how it can be made available for use and consumption, how it may be consumed, how it can be utilized for production, how it can be preserved for future use – makes it into a not-that-natural “resource.” Hence, whatever intuition there is on behalf of an equal division of the earth, i.e., of that raw stuff, or on behalf of compensation for those who do not get an equal share of the earth does not carry over to an equal division of “natural resources.”

The role of people and their beliefs and actions in determining how much of a natural resource any bit of the earth is (at any given moment of human history) seems to make any claim to an equal share of natural *resources* very different from a claim to an equal share of *raw stuff*. That is why it seems to me that calling for each person receiving a share of equal value or having such a share of equal value left for him or being compensated for not have a share of equal value left for him goes way beyond calling for each to share equally in the blessings of nature – whatever that equality would be.

12. Eric Mack’s Comment on Michael Zuckert 2 (January 21, 2013)

Let me begin by saying that I meant what I said about learning things about texts and about philosophical doctrines associated with those texts from readers like Michael that otherwise I would never see. Indeed, I wasn’t disputing Michael’s proposal that Locke’s chapter “Of Property” be seen as his treatment of the master-servant relationship when I said that the turf passage is the only passage in that chapter that explicitly mentions that relationship. I was trying to work my way over to something else that Locke does not explicitly talk about, viz., how the purchaser acquires a right against the world to the item that he has purchased. In

this case, however, I have drawn the conclusion that Locke did not see any need to explain how it comes about that purchaser acquires a right against all comers and not merely against the seller. I offer an exculpating explanation for Locke’s not investigating acquisition of rights through transfer, viz., that the problem about private property rights for 17th-century theorists was how to explain the justice of initial acquisition. Filmer’s dispute with Grotius and Locke’s dispute with Filmer is focused on the possibility of just initial appropriation.

Moving along with my theme of things that Locke does not attend to, I say that Locke does not step back and ask whether the land holdings that actually exist in England in, say, 1689 are just in light of his own theory of just property rights. I think I want to stick by this claim – although there may somewhere be textual evidence against it. Again, I do not take this to be a huge criticism of Locke. I think it is quite natural for very deep thinkers not to raise questions about every facet of the world that they inhabit that might be questioned on the basis of the doctrines they develop. (Think of all the questions that we should be raising but which we do not think of to raise.)

As Michael points out, both he and I think that the sort of aid to the poor that Locke recommends in his “An Essay on the Poor Law” is a least partially motivated by his sense that the “enough and as good” proviso is triggered by the actual conditions in late 17th-century England. But I do not think that this is evidence for the proposition that Locke is questioning the property rights of those who will be required to fund that aid. This belief on my part stems from my picture of what the “enough and as good” proviso says and demands. As I see it (and, perhaps, as Locke saw it) the proviso requires that holders of property not dispose of their property in ways that add up to any individual being made worse off with respect to (something like) economic opportunity. (See the Mack-Vallentyne dimension of this conversation.) If the proviso is violated, those who do the violating have to provide the victim with compensating economic opportunity. But the property rights of the violators are not nullified – except insofar as some of their holdings will have to be used to provide the required economic opportunities. There is no more general questioning of property rights than there is when I am found in a civil suit to be liable to make some compensation payment.

Lastly, I think that Michael is correct to raise the issue of “how to maintain the property regime that benefits all but does so unequally in the face of the temptations of the disadvantaged [I would have said “the less advantaged”] to disrupt those relations.” I now see my remarks as cautions against casting this as a *class* issue. My suggestion was that there is more class conflict in the zero-sum battles about who will be the beneficiaries and who will be the losers of political interventions in the market. My view is that most of those on the lowest rungs of the current economic ladder would be quite a ways further up that ladder were it not for policies that good Lockean should condemn. Hence, to address the problems that arise because people are currently not very far up that ladder should not be described as addressing a problem attributable to Lockeanism.

13. Jan Narveson's Comment on Peter Vallentyne (January 22, 2013)

I think that the idea that Mankind owns The Earth In Common and Equally is untenable as well as, in the case of Locke, unmotivated. Peter's latest argument here is interesting, but seems to me flawed. He says, “Suppose that: (1) one person unconditionally owns a tract of land and some buildings on it (as Jan might hold), (2) she transfers full ownership of the buildings to her husband, and (3) she transfers full ownership of the land to her husband, except that it is conditional on his making an annual payment to each of the two adult children (while alive) equal to one third of the competitive rental value of the land. This situation can arise under Jan's version of right-libertarianism. Left-libertarianism merely allows something like this arises for all natural resources. Jan and others can reasonably reject this substantive view. I don't, however, see how this view is any less compatible with maximum equal negative liberty than Jan's preferred view.”

Here the problem is that while it is easy to see how some individual who owns something can give it to someone else with liens, and so, as Peter says, such “a situation ... can arise” on my version of libertarianism, it simply doesn't follow that libertarianism can even *allow* that this could be the general case. For obviously,

at the start, somebody has to be in the position of the initial extender of that qualified right to others, meaning that that person was *not* under the obligation to make an annual payment. But if Peter's idea is right, everybody including that person has to be in that condition – and where could that come from in a regime of pure negative rights? (Of course, you could succumb to the theological infection and suppose that God, who after all made it all, was in that position and ... but we have seen through such gambits.)

More generally: Vallentyne's idea that we can solve the otherwise embarrassing problem of attributing a workable value to what “everyone” is supposed to get in the scheme of universal ownership of undeveloped resources seems to me not workable. The value of strictly natural resources qua natural is zero. This remains true no matter how far mankind has come along: unless and until someone is in a position to exchange the resource with someone else, in return for something else, there is no economic value to discuss. But once there is, it arises from the activities of individual people in using bits of nature. The idea that when Jones comes across *x* in a strictly natural state and “takes it into his possession,” he is thereby, as the unjustifiably fashionable phrase has it, *depriving* someone else of the *liberty* of taking it, is entirely mistaken. Everyone's liberty is constrained by everyone else's liberty, which means that nobody gets to aggress against anyone else – to deprive anyone else of the fruits of his or her labor, or inflict wounds, disease, or death on any innocent person. And to claim that Smith is *noninnocent* because he has undertaken to use something not previously used by anyone else, is a misuse of the notion of “aggression.” It is logically impossible for us all to acquire the same item: Ownership means control, and if your and my desires, interests, willings are different with respect to the use of particular item *x*, then somebody must necessarily be frustrated. The full possession of any given thing presents a zero-sum game. And there cannot – logically cannot – be a universal solution to such a game.

But libertarianism doesn't have that problem, because it is *essentially* historical: If person A gets there first, then *x* is no longer in a state of undeveloped, unpossessed nature, and so person B who comes next cannot in his turn make an *initial acquisition* of *x*. Instead, B will be aggressing against A if B undertakes use of *x* without A's permission.

Writers on Locke tend to talk about three possible cases of legitimate acquisition: finding, making, and transfer from some previous owner – i.e., initial acquisition, creation, and transfer. But the first two are not generically distinct, for when anyone takes anything into use, that person is creating value: The item now serves a purpose that it didn't before (even if the owner chooses not to alter it, like those who leave their suburban yards wild instead of planting and mowing grass there.) That's why A is *now* in a position to consider exchange, if some B is likewise in possession of something else, y, such that A's and B's situations with respect to those things can be voluntarily reversed – A supplying B with x and B supplying A with y.

That is why Locke is essentially right. All rights are rights to act, to do or not do as we choose, and the ownership of things is just the right to perform actions involving the things in question. When those things are inordinately complex and “artificial,” requiring immense technology to produce (such as electron scanning microscopes), the point may be more obvious but the logic is precisely the same.

"The state of nature has a law of nature to govern it, which obliges every one: and reason, which is that law, teaches all mankind, who will but consult it, that being all equal and independent, no one ought to harm another in his life, health, liberty, or possessions"

If we could talk of equal ownership of nature, each person's share would have a value of *zero*, since what is supposed to be shared in that condition has that value. And once we are into sharing things that do have value, that value arises from use, from work, and so the Vallentyinian egalitarian would be giving us all a share in *everyone else's labor* – the very thing that his theory says we are not entitled to do with anything insofar as it *does* have human labor “mixed with it.”

Thus “left” libertarianism is not a coherent theory. There isn't “left” and “right” libertarianism: there is either libertarianism or not. (Or: There is libertarianism supplemented by one sort of mistake (say, Marxist), or that sort supplemented with another sort (say, Henry

George's, as just discussed), and so on. But basically there is just the one fundamental moral idea: that no one is to use force or fraud (which I think can be analyzed into a sort of force) against anyone who has not in his turn used it against others; or in Hobbes's terminology, no one is to make war against any peaceable person; or in Locke's, that “no one ought to harm another in his life, health, liberty, or possessions.”

14. Peter Vallentyne's Response to Jan Narveson 2 (January 22, 2013)

Jan says: “The value of strictly natural resources *qua* natural is zero.” I disagree. Suppose that we each need water for our apple trees. What is the value of the rights to control a water hole? If an auction were held, each of us would bid some positive amount for those rights. Of course, the water may have no value to us without adding some labor (e.g., transporting it to our plants), but that is factored into our bids. Our bids are based on what we can do with the natural resource when combined with our labor, etc.

Related to this, Eric says: “That which has market value is [on the left-libertarian view] no longer merely a raw bit of the earth. That which gives any bit of the earth market value – people having views about how it can be made available for use and consumption, how it may be consumed, how it can be utilized for production, how it can be preserved for future use – makes it into a not-that-natural ‘resource.’ Hence, whatever intuition there is on behalf of an equal division of the earth, i.e., of that raw stuff, or on behalf of compensation for those who do not get an equal share of the earth does not carry over to an equal division of ‘natural resources.’”

I fully agree that what gives natural resources market value is what individuals can and want to do with them. Eric thinks that raw stuff is different, but I don't understand the difference. Natural resources, as I understand them, simply are stuff in the world that does not have any moral standing (e.g., no self-ownership) in its original state prior to modification by agents (so a chair is not a natural resource, but its production ultimately involves the use of natural resources). Natural resources are, it seems to me, just raw stuff. Moreover,

even if the two are somehow different, I don't understand why the issue of market value distinguishes the two. Suppose (counterfactually) that raw stuff is homogeneous and we divide it up to give everyone an identical share of each kind of stuff. Each has private property in her bundle. Given that the bundles are tradable, they each have an equal market value, which depends on what individuals can and want to do with it. So, the market value of rights over raw stuff depends on what individuals can and want to do with them.

Jan says: "The idea that when Jones comes across x in a strictly natural state and 'takes it into his possession,' he is thereby, as the unjustifiably fashionable phrase has it, *depriving* someone else of the *liberty* of taking it, is entirely mistaken." I fully agree, but the issue is not about taking into possession (which is a form of use) but about appropriation (acquiring rights to exclude others from using). Appropriation, by definition, deprives others of their former negative liberty to use the unowned natural resources.

Jan says that libertarianism is "*essentially* historical." I fully agree.

Jan says: "All rights are rights to act, to do or not do as we choose, and the ownership of things is just the right to perform actions involving the things in question." I fully agree.

Jan says: "Thus 'left' libertarianism is not a coherent theory." I, of course, disagree. I think of libertarianism, even right-libertarianism, as a family of theories that disagree on various points (just as utilitarianism is such a family). For example, different libertarian theories can disagree about how strong the enforcement rights are that protect one's property. (Does one have a right to kill someone, who due to an innocent mistake, is about to take one's chocolate bar, when this is the only way of stopping such use? Does one have a right to kill a murderer purely for retributive reasons?). I view the (perhaps empty) proviso on appropriation as a similar issue on which libertarians can disagree. I don't see that much is gained by reserving the libertarian label only for those who endorse an empty proviso.

This will be my last post. So, future silence should not be interpreted as inability to answer any later posts!

15. Eric Mack's Final Comments (January 22, 2013)

I do not think that it is part of my official duties to call an end to our conversation. So, rather than doing that, I simply want to thank again Jan Narveson, Peter Vallentyne, and Michael Zuckert for their spirited and instructive comments and to suggest that our further conversation be carried on in the private recesses of hyper-space (if any such private recesses really still exist).

16. Jan Narveson's Final Comment on Peter Vallentyne (January 22, 2013)

(1) Peter says, "Suppose that we each need water for our apple trees. What is the value of the rights to control a water hole? If an auction were held, each of us would bid some positive amount for those rights. Of course, the water may have no value to us without adding some labor (e.g., transporting it to our plants), but that is factored into our bids. Our bids are based on what we can do with the natural resource when combined with our labor, etc."

This is not relevant. Of course, if there is an auction, then somebody is in a position to distribute these things and has already taken some kind of possession; or a bunch of people have come upon the water hole and have decided to divvy it up; or whatever. So we no longer have value in situ: we have the minimum requirements for exchange and distribution (which itself is a kind of exchange).

If Elmer had stumbled on the water hole before any others came along, he would then be in a position to sell water (= water rights) to second comers. That is to say, their use of it would be an item in an exchange.

Further, the value that a given resource would get at a hypothetical auction is not obviously relevant as a way of ascribing value to natural resources for Peter's purpose. For his idea, as I understand it, is to understand natural resources as such to "belong to" everyone by nature. I do think that this Henry George idea confuses use value with exchange value. Economics is entirely about the latter, though of course exchange value

always arises from the interaction of persons who have previously found a use-value for various things that they come to possess. Perhaps Peter is trading on the same confusion? For insofar as what we are trying to do is to enable all to share in the "value" of natural resources, that value in the use-value sense varies hugely as a function of technology (in the broad sense of, any idea of how to put stuff to use); to divvy *that* up is clearly to distribute the "labors" (again, in the broad sense of taking or putting anything to use) of persons. Distributing the "things" independently on their technologically-modulated use makes no sense.

(2) And then, "the issue is not about taking into possession (which is a form of use) but about appropriation (acquiring rights to exclude others from using). Appropriation, by definition, deprives others of their former negative liberty to use the unowned natural resources." However, what libertarianism does, just because that's what it is, is to give everyone rights to whatever they possess which was not acquired by molesting or robbing from others. Taking what some person has previously acquired is aggression, and is disallowed.

Now, the crucial question is broached when Peter says, "Appropriation, by definition, deprives others of their former negative liberty to use the unowned natural resources." My point about this is that it is impossible for more than one person to take into his possession any particular object. So to say that one *deprives* others of a liberty when one gets there first is to say nothing that constitutes a complaint. There has to be some other ground for complaint about A's acquiring x than that in so acquiring it, B "no longer can." As Locke observed, acquisitions by anyone are impossible if they must be compatible with acquisitions of the same thing by someone, let alone everyone, else. A right to *attempt* to use x is all we can have, as well as all we need. Having it means that no one may interfere with my attempts, but also that the previously successful attempts of others are not to be interfered with either. I don't see how left-libertarianism can fail to be guilty of doing just that.

Libertarians can disagree about lots of things, among which estimates of proper enforcement levels is an excellent example. But I don't see that this matter of supposed rights to natural resources is one such. Rights are duty-entailers: for A to have a right against B is for

B to be required to act in certain ways toward A. I can't imagine what else property rights can be based on than first possession. Peter agrees that the liberty principle is, as I put it, essentially historical. So it seems to me that when A acquires something not previously acquired by anyone else, the case that taking it from him without his consent is the sort of aggression that liberty forbids is definitive. And redistributing it "equally" to everyone, since it amounts to redistributing the varying labors of a lot of people, is thus, so far as I can see, just such an aggression.

No doubt Peter will have some interesting further comments, but like him, I shall rest with this for now.

But I'll take the opportunity to thank the Liberty Fund for the opportunity to engage in these discussions!

17. Michael Zuckert's Concluding Thoughts (27 January, 2013)

My colleagues seem to have signed off, but many issues remain worth discussing. So here come a few comments on the exchange as it is now pretty much at its end. Two large issues have dominated: Locke on property—what does he mean, how sound are his arguments?—and broader arguments about property and the nature of rights. I want to say a bit about both by looking first at some of the replies to my earlier comment.

Both Eric (entry 12) and Jan (entry 9) pick up on a theme from my initial reply to Eric. Both maintain, in effect, that property relations in Locke's England cannot satisfy his own criteria for just acquisition and therefore for just current holdings. As Jan says, "The British landed gentry got their land by conquest and not by Locke-approved means." Eric surmises that "Locke does not step back and ask whether the land holdings that actually exist in England in, say, 1689 are just in light of his theory of just property rights." Locke, to be sure, does not address explicitly that question, i.e., he does not say what Eric and Jan say—that the property holdings of his day are unjust. I would add a parallel case where Locke also fails to explicitly address an issue where his doctrine has unsettling im-

plications for political and economic life of his day. According to him, conquest cannot generate legitimate political authority, a doctrine unsettling to all European powers of the day, including Britain. I wish to reiterate my point that Locke's silence on these points cannot be inadvertent, as Eric claims, for the context of his book is the debate with Filmer, in which the legitimacy of the property distribution of the modern world was precisely what was ultimately at stake. It is true, as Eric says, that the debate was explicitly over the means of initial acquisition, but Filmer made clear that the justice of current holdings was at stake in the debate: Only his account of an initial private property could legitimate current private property.

The challenge Locke faced was to develop an alternative theory that could validate the property regime of his own time. That was the very thing Filmer meant to put in play. Cagily, Filmer was counting on the property in England to support his argument for absolutism because it would provide stronger support for their property claims than the Whiggish contractarian arguments he was opposed to. Therefore, Locke could not have been unaware of or indifferent to the implications of his doctrine for property relations in his England. Yet it is true that he does not pause to examine whether the current property distribution is just on his own criteria, nor, even more, to denounce those holdings as unjust. In proceeding as he does, we must ask what could Locke be thinking that he does not pause to make the point Nozick makes: that the theory of acquisition may have very disruptive implications for the reigning property regime? (See Loren Lomasky's "Libertarianism at Twin Harvard.") [1] Here we must be speculative, for Locke does not explicitly address the issue of his own silences.

So if speculate we must, here goes. My speculation concerns the overall character of Locke's argument. On property—and on quite a few other things—we should see Locke as making a two-stage argument. In the first place he means to show that the two large institutional arrangements of civilized society—private property and the state—are rational and just on the basis of a contractarian/natural rights-based argument that in its nature calls both into question initially. He shows that there is an argument that starts with an initial situation in which property is unowned (I am with those like Eric who argue that Locke means by "the earth belongs to mankind in common" that it is initially

unowned, but ownable) and in which there is no political authority, i.e., a state of nature. He then tries to show that one can move from that state to one where private property and the state rightfully exist. That argument takes the form of a "history"—an idealized and fabulous history, as many of its critics have maintained over the years. That history is idealized in the sense that it shows what would happen if the actors understood their moral situation correctly and acted rationally in light of it. That argument is meant to show that the state and private property in general are just and beneficial to all who live in civilized society. Therefore, the argument is meant to show that it is rational for denizens of the civilized world to will these institutions as if they made the contract and underwent the history of property as Locke explained it in chapter five. He shows that the current property regime benefits all and that it would be irrational for anyone to will its destruction or severe disruption. Locke himself must recognize that the present arrangement, though falling short of strict justice on the basis of his own theory, is both more just and more beneficial to all and to the society as a whole than would be the project of starting all over again and insisting on strict justice according to his criteria of just acquisition. It is not rational for him to propose such a thing, and it is not rational for any of us to will such a thing. So, on the basis of asking the important political and philosophical question, "compared to what," Locke can treat present property relations as just enough.

However, once Locke has brought forward the true criteria of justice in property relations (and political construction) future actions should be governed by this standard, so far as he can win agreement to his criteria. That is to say, knowledge of the true character and justification of property has implications both looking backward and looking forward. In looking backward, Locke approaches Hume in validating a private property regime on the basis of social benefit, but in looking forward he keeps individual rights much more to the fore for reasons both of justice and of social benefit. (However, this last comment must be qualified by his statement at the end of chapter five on the power of the civil authorities to regulate property, but this takes us too far afield).

*"And because the condition of
Man, ... is a condition of Warre*

*of every one against every one;
in which case every one is
governed by his own Reason;
and there is nothing he can
make use of, that may not be a
help unto him, in preserving
his life against his enemyes; It
followeth, that in such a condi-
tion, every man has a Right to
every thing; even to one anothers
body."*

To my mind the most interesting issue that has arisen in the discussion is the one debated between Eric and Jan about the basis of rights. On the whole I am on Eric's side but I believe that Jan raises an important question and challenge when he asks: "Why are those features of persons" that Eric appeals to in order to ground rights "morally significant"? Jan goes on to observe that "bad accounts or non-accounts ... abound." He has a point—as the many manifestoes on human rights demonstrate. He seeks an alternative, less mushy account, roughly of a Hobbesian sort. That his account does not work is clear from a claim he makes that is, I believe, incorrect. He identifies "the more fundamental question: Why should we think each other to be 'owners' of ourselves in the first place? (Hobbes's answer is clear: because if we don't, we'll be facing an awful state-of-nature situation.)" That is, he agrees with Eric that self-ownership is a crucial piece of the argument but disagrees with Eric's Lockean-Kantian-Nozickian way of speaking in terms of "morally significant features of persons." He thinks he can get the necessary self-ownership claim on the basis of harder-nosed Hobbesian arguments. But contrary to what he says, Hobbes does not arrive at a doctrine of self-ownership and his doctrine of natural right forecloses him from doing so. According to Hobbes, we have a right of nature, which is a right to everything, including one another's bodies. If others have a right to our bodies we are not self-owners, for ownership of self implies immunities that rule out Hobbes's right of nature. So far as we recognize such immunities, they are not natural rights but conventional rights based on the law of nature (not really a law and not really natural as Hobbes tells us) or on the civil law. The absence of a

doctrine of self-ownership is what leads Hobbes to deny a natural right of property. We have liberty to take what we need in the state of nature but no property right in the sense that others are obliged to respect our right to what we have taken and perhaps stored. There is no injustice in the state of nature because there is no mine and thine. Locke differs with Hobbes on more than the sovereign—he affirms a natural right that has the character of property and therefore can affirm the possibility of injustice in the state of nature.

As Eric maintains and as I agree, Locke affirms a natural right of property in part on the basis of self-ownership and affirms that on the basis of those morally significant features of persons. Jan is apparently unconvinced by Eric's way of developing this theme, and were there world enough and time I would put forward an alternative account that perhaps he or others would find persuasive. In lieu of that I will mention my attempt to develop a Lockean theory of self-ownership on entirely non-theological grounds in my *Natural Rights and the New Republicanism* (1994), chapter nine. [2] Two comments about the argument I make there. First, I think Locke did have a non-theological argument in addition to the theological arguments he presented in two treatises. How the arguments relate is a fine question that I try to address in the introduction to *Launching Liberalism*. Second, the non-theological argument for self-ownership is developed from Locke's treatment of self and person in the *Essay on Human Understanding*.

I regret that I have not had time to address Peter Vallentyne's comments or many of the other issues raised by the discussion here. There seems to be enough material and disagreement to keep going for another year or two, I am sure. But like my colleagues, I have a few classes to teach and dissertations to read, so I too will sign off. Many thanks to Liberty Fund for pioneering yet another way to keep the discussion of important issues of liberty on the table.

Endnotes

[1] Loren E. Lomasky, "Libertarianism at twin Harvard," *Social Philosophy and Policy* 22 (1):178-199 (2005). Abstract at <<http://philpapers.org/rec/LOMLAT>>.

[2] Michael P. Zuckert, *Natural Rights and the New Republicanism* (Princeton University Press, 1994). Chapter 9 "Locke and the Reformation of Natural Law of Property."

18. Jan Narveson's Response to Michael Zuckert (January 28, 2013)

As I have been at pains to point out, "self-ownership" is not a basis of libertarianism. It simply is one of the several ways of stating it, and nothing else. Since Hobbes is a libertarian in moral principle -- his First Law of Nature is, precisely, the nonaggression principle, as his deductions from it make clear, tabling, as usual, the strictly political arguments -- he does "arrive at" the self-ownership in question, though he doesn't call it that.

Hobbes's "right of nature," as I have also pointed out, is not and cannot be a right, a term he carefully defines in its proper moral connotation. For each to have a "right" "even to another man's body" is for nobody to have any rights at all. What there is, is the "liberty" of nature, which as Hobbes says gets us into nothing but big trouble. Rational people, therefore, go by -- agree to -- his Laws of Nature: "willing, when others are so too, as far-forth, as for Peace, and defence of himself he shall think it necessary, to lay down this right to all things; and be contented with so much liberty against other men, as he would allow other men against himself." He calls it a "right" but what it is, in his own account, is and can only be a liberty, and in no way a right. Rights entail duties; liberties, as such, do not.

Hobbes indeed acknowledges, as Michael points out, that the law of nature is "not really a law and not really natural as Hobbes tells us." But Hobbes didn't take Philosophy 100. His Laws of Nature are moral, not civil or legislated, and they are natural in the only important sense, which is that they are based, as Hobbes says, on the nature of man, and so long as that nature remains roughly as it is, they are, as he says, "eternal and immutable." But the aspect of man's nature that they are based on is (practical) rationality, given our various needs and desires and bodily limita-

tions. Seeing our situations and predicaments, we see the need for the Law(s) of Nature.

I am sorry not to have seen Michael's books that he refers to, and will hope to have time to peruse them one day!

4. ADDITIONAL READING

Online Resources

We have works by the following authors:

John Locke (1632-1704) - <<http://oll.libertyfund.org/person/131>>

- Second Treatise of Government (1689)
 - Thomas Hollis edition of 1756 - Chapter V "Of Property"
 - 1824 edition from The Works of John Locke
- *First Treatise of Government* - Hollis ed. <http://oll.libertyfund.org/titles/222#lf0057_head_005>
- *A Letter Concerning Toleration*(1689) <http://oll.libertyfund.org/titles/764#lf0128-05_head_002>
- "An Essay on the Poor Law" (1697) <<http://oll.libertyfund.org/titles/2331>>

Sir Robert Filmer (1588-1653)

- *Patriarcha; of the Natural Power of Kings* (1680) <<http://oll.libertyfund.org/titles/221>>

Thomas Hobbes (1588-1679)

- Leviathan (1651) <<http://oll.libertyfund.org/titles/869>>

Life & Times of John Locke

- Biography: Locke: A Life
- Timeline: The Life and Work of John Locke [PDF]
- Timeline: The Divine Right of Kings [PDF]

Essays & Annotated Reading Lists

- Eric Mack, An Introduction to the Political Thought of John Locke
- Eric Mack, Locke on Toleration: Locke's A Letter Concerning Toleration

- Eric Mack: Authority and Liberty in the Writings of Robert Filmer and Thomas Hobbes
- Eric Mack: James Tyrrell on Authority and Liberty
- Bibliographical Essay: Karen Vaughn, John Locke's Theory of Property: Problems of Interpretation
- Literature of Liberty Editorial: On John Locke's Importance
- Foreword: Thomas G. West on Sidney, Filmer and Locke on Monarchical Power

Other Resources:

- Debates: The Divine Right of Kings vs. Natural Rights
- Debates: Religious Toleration
- Topics: Natural Law & Natural Rights
- Topics: Property
- School of Thought: 17thC Natural Rights Theorists

Recommended Reading on Locke and Property.

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2. GEOFFREY BRENNAN, “JAMES BUCHANAN: AN AS- SESSMENT” (MARCH, 2013)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty during the month of March, 2013. The online version of the discussion can be found at <<http://oll.libertyfund.org/pages/geoffrey-brennan-james-buchanan-an-assessment-march-2013>> and ebook versions at </titles/2518>.

Summary

To commemorate the recent death of James M. Buchanan (1919-2013) on January 9 a number of scholars will discuss his considerable contribution to economic and political theory, most notably his work on "public choice" and constitutionalism. Geoffrey Brennan, who worked closely with Buchanan for many years, deals first with Buchanan’s contractarianism and then turns to his theory of constitutionalism, trying to indicate how these two *c*’s are related. He then attempts to connect the “constitutional contractarian” project to Buchanan’s credentials as a classical liberal and raises a number of other queries about the intellectual scheme he created, including the double role of exchange, the nature of market operations, the supply of versus the demand for rules, chosen versus inherited rules, and "expressive constitutionalism."

The Debate

The online discussion consists of the following parts:

1. **Lead Essay:** Geoffrey Brennan, "James Buchanan: An Assessment"

2. Responses and Critiques:

11. Response by Viktor J. Vanberg [Posted: March 8, 2013]
12. Response by Peter Boettke [Posted: March 8, 2013]
13. Response by Steven Horwitz [Posted: March 11, 2013]
14. Response by Loren Lomasky [Posted: March 12, 2013]
15. Response by Edward Stringham [Posted: March 13, 2013]

3. The Conversation:

- Response by Geoffrey Brennan [March 18, 2013]
16. Viktor Vanberg's reply to Geoffrey Brennan [March 19, 2013]
 17. Geoffrey Brennan's reply to Viktor Vanberg [March 19, 2013]
 18. Loren Lomasky's comment [March 22, 2013]
 19. Viktor Vanberg's comment [March 22, 2013]
 20. Steven Horwitz's comment [March 23, 2013]
 21. Viktor Vanberg's reply to Steven Horwitz [March 25, 2013]
 22. Geoffrey Brennan's comment on Horwitz [March 25, 2013]
 23. Geoffrey Brennan's comment on Vanberg [March 25, 2013]
 24. Geoffrey Brennan's comment on Loren Lomasky [March 25, 2013]
 25. Peter Boettke's comment on Buchanan et al. [March 26, 2013]
 26. Peter Boettke’s second comment on Brennan et al. [March 26, 2013]

About the Authors

Geoffrey Brennan is professor in the Moral, Social and Political Theory Centre, Philosophy School, RSSH, Australian National University. He simultaneously holds a research professorship jointly at UNC-Chapel Hill (philosophy) and Duke University (political science). He spent the years 1976-1983 in the Public Choice Center at Virginia Tech, and is coauthor with James Buchanan of *The Power to Tax* (1980) and *The Reason of Rules* (1985), as well as a dozen or so articles in refereed journals.

Peter Boettke is University Professor of Economics and Philosophy at George Mason University and the BB&T Professor for the Study of Capitalism at the Mercatus Center. He is the author most recently of *Living Economics: Yesterday, Today, Tomorrow* and has been the editor of the *Review of Austrian Economics* since 1998.

Steven Horwitz is Charles A. Dana Professor of Economics and department chair at St. Lawrence University in Canton, NY. He is the author of two books, *Microfoundations and Macroeconomics: An Austrian Perspective* (Routledge, 2000) and *Monetary Evolution, Free Banking, and Economic Order* (Westview, 1992), and has written extensively on Austrian economics, Hayekian political economy, monetary theory and history, and macroeconomics. In addition to several dozen articles in numerous professional journals, he has also done nationally recognized public-policy work on the role of the private sector during Hurricane Katrina for the Mercatus Center, where he is an affiliated senior scholar. His current research is on the economics and social theory of the family, and is at work on a book on classical liberalism and the family.

Loren Lomasky has been Cory Professor of Political Philosophy at the University of Virginia, Charlottesville, VA. since 2003. He works mainly on liberal political theory, but a reckless habit of consorting with economists has led him to muse from a Public Choice perspective about voting in democracies.

Edward Peter Stringham is the L.V. Hackley endowed professor for the Study of Capitalism and Free Enterprise at Fayetteville State University, North Carolina. He is editor of *Anarchy, State, and Public Choice* (2006, Elgar), *Anarchy and the Law* (2007, Transaction), and author of *Private Governance* (forthcoming with Ox-

ford University Press). Read more here: <www.ssrn.com/author=685664>.

Viktor J. Vanberg is professor emeritus, Freiburg University, Germany, and member of the board of the Walter Eucken Institute in Freiburg, which he directed from 2001 to 2010. From 1983 to 1995 he was a research associate and professor of economics at the Center for Study of Public Choice at George Mason University. He is coauthor with James Buchanan of a number of journal articles. <<http://www.walter-eucken-institut.de/>>

LEAD ESSAY: GEOFFREY BRENNAN, “JAMES BUCHANAN: AN ASSESSMENT”

It is one of the features of an intellectual’s work that it has a life independent of – and possibly more extensive than -- its creator. In that sense, Jim Buchanan’s death (“after a short illness”) on January 9 is of no particular *academic* significance – beyond the fact that Jim himself is no longer around to correct misinterpretations of the Buchanan position (as he saw it).[1] On the other hand, it would be unseemly for the occasion to go unmarked. At the very least, Buchanan’s death provides an opportunity to restate and re-assess the “Buchanan position” (at least as *I* see it); and such restatement and reassessment is my purpose here.

Most economists are of the “have-brain-will-travel” kind. Armed with our kitbag of techniques and our distinctive disciplinary perspective, we look around for varied applications (often finding them in unlikely places). For most of us, our lifetime “contribution” is just the sum of our little inroads (if any at all) into a range of little problems. There is no particular dividing line in the epistemic division of labor that marks off our individualized “contributions”; and the lifetime whole is not much more than the sum of the parts.

In that sense, Buchanan was distinctive -- not just in the size of the contribution, but also in its coherence. There is, associated with his work, an identifiable “research program” – not so much “Public Choice theory” as such, but what is sometimes called “Virginia School political economy,” or what I prefer to call “constitutional contractarianism,” because the latter term is more descriptive. Of course, that program evolved and became more self-conscious as the work accumulated;[2] but it is uncanny how much of it can be identified in Buchanan’s writings right from the start.[3]

In what follows I will deal first with Buchanan’s contractarianism and then turn to the constitutionalism, trying to indicate how these two *c*’s are related. I will then try to connect the “constitutional contractarian” project to Buchanan’s credentials as a classical liberal and raise a number of other queries about the intellectual scheme that seem to me worth discussing.

Contractarianism

For Buchanan, economics properly pursued is the “science” (with much emphasis on the “logic”) of *exchange*. [4] In other words, “exchange” is the lens through which economists should look at the social world, identifying both actual and potential instances of it and its consequences, where present. In this he was a faithful (if originally unconscious) disciple of Richard Whately.[5] Jim used to say that the proper point of departure for an economics principles course was Menger’s account of two horse-traders [auf deutsch], and more generally that the measure of the quality of any principles course was how soon it got to “exchange.” For him, exchange is central.

Of course, he saw markets as the primary institution for the mobilization of exchange possibilities. But *his* version of the “economic analysis of the study of *political* processes” (or “Public Choice theory,” as it came to be called) was distinctive in Public Choice circles for its emphasis on “*politics as exchange*” – a phrase he repeated many times. [6] (As an aside, we should note that for many libertarians/classical liberals it might be more natural to think in terms of politics as *coercion* – and though Buchanan certainly did not deny the possibility of coercion in politics, he equally certainly denied that all government action is intrinsically coercive.) He believed that exchange via political action is possible and that the role of the economist is to uncover those exchange possibilities. In this, he followed Knut Wicksell (unquestionably one of Buchanan’s intellectual heroes) and Wicksell’s other interpreter, Erik Lindahl – and in this sense was a participant along with Musgrave and Samuelson in the analysis of public goods and associated market failure that dominated the welfare economics/public economics of the 1950s and early 1960s.

That is, Buchanan fully accepted the public-goods argument that markets sometimes fail to exploit all the mutual benefits that are on offer in human society. And he also accepted the (Wicksellian) proposition that collective action could in principle appropriate such “gains from exchange” in public-goods supply. In other words, he thought that there is (in principle) a role for the “productive state” as well as the “protective state” – to use a distinction he developed explicitly in the *Limits*

of *Liberty* (1975). He explicitly rejected anarchy as a viable option, broadly embracing the Hobbesian argument for government and in the process adding his own kind of ‘rational reconstruction’ of the Hobbesian position.

Indeed, much of Buchanan’s mid-career work involved exploring the details of market-failure argument. Two of his most famous (certainly his most widely cited) papers were his analysis of price-excludable collective goods – his “theory of clubs” (1965) – and his “externality” piece with Craig Stubblebine (1962). And in 1968 he offered a book-length treatment, *The Demand and Supply of Public Goods*, of the public-goods argument, explicitly trying to connect his own exchange variant to the standard neoclassical version.

Equally, however, Buchanan recognized – again from the earliest point in his career – that the mere fact of market failure to appropriate gains from exchange does not show that government can succeed. The message that Buchanan took from the public-goods literature is rather that the appropriation of possible gains from exchange represents an *institutional problematic*. Again following Wicksell, he explicitly and forcefully rejected the “benevolent despot” model of government that he saw as dominating standard public economics. [7] Indeed, critique of this “benevolent despot” model became the focus for the entire Public Choice movement over the early decades of its development. One way (Buchanan’s way) to express that critique was to emphasize that efficiency/Pareto optimality [8] is an “*emergent*” property, reflecting the institutional features of the process in which different exchanges are made (or fail to be made). The standard neoclassical approach deriving from Samuelson’s treatment, by contrast, was to treat Pareto optimality as a property that could (in principle) be imposed by governmental fiat. [9]

Broadly Buchanan accepted the Austrian critique of the “socialist calculation exercise” [10] – but unlike the Austrians he was not prepared to accept that governments (or social planners) would be motivated to secure Pareto optimality (even for the purposes of the argument)! For him, any such assumption of government “benevolence” assumed what had to be proven: that is, it assumed that agents motivated by the same kinds of desires that apply to market agents would, by the operation of democratic incentives, be led to be-

have in the public interest. That claim, he thought, requires an *argument* – not an assumption! And exploring whether any such argument could be sustained became the central agenda for Public Choice analysis. In that exploration, Public Choice theorists took it as obligatory that political agents should be assigned the self-interested motivations ascribed to market agents – to treat the political process as a scramble for rival interests, just as market processes are taken to be. It is in this spirit that Buchanan referred to the Public Choice enterprise as “a theory of *political failure*” to set alongside the analysis of so-called “market failure” [11] or, to use another of his well-chosen epithets, Public Choice is “politics without romance.”

But at this point Buchanan might seem to face a problem – namely, how this comparison of markets and politics in terms of the exchange norms he endorsed could conceivably have any influence on anything. If markets fail less than politics fails, what possible impact could this fact have on either politics or markets? There simply seemed no point in the exercise where the normative force of the comparison could gain any purchase.

As I see it, it is in the face of this problem that Buchanan’s “constitutional” turn is to be understood. And it is to this I now turn.

Constitutionalism

A central part of the Buchanan intellectual scheme is the distinction between the rules of the game and plays of the game within the rules. Buchanan conceived of both markets and politics as games played within rules. But he thought that there was a “higher” level of choice – the choice of the rules. This level of choice is the “*constitutional*” level. Constitutions in Buchanan’s sense have, then, two central features:

1. a specification of the proper domains of market and political operation (which entails, in particular, limits on the domain of political decision-making). The notion that it might be left to in-period political processes to determine their own sphere of activities struck Buchanan as totally inconsistent with the constitutional logic. Limited government is the *sine qua non* of the constitutional approach;

2. a specification of how in-period politics is to operate. The most familiar illustration of this latter concern is, of course, the determination – in the *Calculus of Consent*, written with Gordon Tullock – of the “optimal decision rule” (or rules more accurately, since different kinds of decisions would predictably call for more or less inclusive majorities). Of course, the *Calculus* contains many other interesting arguments -- about bicameralism and the separation of powers, and fascinating suggestions about the role of institutions that are not strictly either markets or political processes, but something else – institutions of “civil society” perhaps. But the issue that most readers take away from the *Calculus* is that of whether simple majority rule would be the “appropriate” rule for collective decisions – with “appropriate” here taken to mean “unanimously chosen at the constitutional level.”

In an important sense the significance of “constitutional choice” lies in its capacity to instantiate the normative authority of exchange. In a move redolent of Rawls’s famous “veil of ignorance,” [12] Buchanan’s thought was that uncertainty about where one would lie in relation to the rules over the long horizon that were expected to be in place would moderate the effects of self-interest and thereby permit application of the unanimity rule (universal veto). In this way, Wicksell’s ideal of unanimity – the rule that Buchanan and Wicksell both saw as the “exchange ideal” – could be applied. Such a rule could not be applied for in-period collective decision-making because of “decision-making costs”: This was the central claim in the *Calculus* analysis. In that sense, unanimity at the in-period level is self-defeating: One would expect (virtual) unanimous consent to the proposition that unanimity be abandoned as the decision-rule for ordinary politics.

In-period politics could never be expected, then, to be fully “efficient” – to appropriate all possible gains from exchange – any more than markets could. The objective is not to eliminate market or political failure, but to optimize across institutions so that “failures” are minimized. That is, within the limits of what is institutionally feasible, one could specify an optimal mix of decentralized (market) and centralized (political) decision-making institutions – and it is *that* mix that would emerge in a unanimously chosen constitution behind a suitably thick veil of ignorance.

Questions and Queries

Now that I have outlined Jim’s main contributions, I would like to raise some points about his work that seem worth discussing.

1. *Buchanan as a Classical Liberal*: Buchanan is a self-declared classical liberal. By this, I take it that he means that he places a high value on liberty (understood as something like “noncoercive social relations”) and that he is a minimalist about the appropriate role of governments. His Public Choice analysis can clearly be viewed as providing the reasoned grounds for that minimalism, as his description of Public Choice theory as the “theory of political failure” suggests. Yet he is an unusual classical liberal. For one thing, whereas most classical liberals take as their point of departure some kind of conception of the individual’s moral rights and derive their conception of liberty in terms of rights violations (or coercion), Buchanan’s normative point of departure is in the intrinsically collective exercise of jointly working out the rules of the social/economic/political game to which citizens are to be subject. In that latter exercise all individuals hold a virtually complete right of veto over what those rules will be (including the specification of the personal and property rights that the individuals will possess and be subject to). Many libertarians have thought that this collectivist point of departure is inconsistent with true liberal individualism. Buchanan was insistent that social outcomes are not chosen because they are efficient (or fair) – they are efficient (or fair) because they are *chosen* (in the appropriate unanimous setting). In that sense, the foundational liberal element is embodied in the fact of unanimous constitutional choice – whatever the outcome of that choice process may turn out to be.

Buchanan was an unusual classical liberal in other ways. He believed rather passionately in confiscatory estate and gift duties: He reckoned that inherited wealth (though not self-made or first-generation wealth) violates basic equality of opportunity, and his enmity towards dynasties was notable. Hence the antipathy to John F. Kennedy mentioned in footnote 12. Buchanan though Papa Joe had bought the White House for his boys, and it infuriated him. However, one might think that individual sovereignty should extend to gifts and bequests, and that totally confiscatory gift/estate duties

are unlikely to emerge from unanimously approved political rules.

2. *The Double Role of Exchange*: A related aspect of the Buchanan construction is the double work that the notion of exchange plays. At one level, individuals behind the veil of ignorance will predictably assess alternative institutions according to the mutual gains those institutions give rise: Clearly, certain basic facts about the operation of markets and the operation of democratic politics under various specifications will predictably be taken into account by the constitutional contractors. And it is specifically the role of economics (and Public Choice analysis as part of that enterprise) to reveal those facts in relation both to markets and to democratic political process. But within Buchanan's scheme the ultimate exercise of "exchange" occurs in and through the constitutional contract itself, and the ultimate test of markets and politics lies in the constitutional endorsement they receive. In this way, the determination of the truth of claims about markets and/or of Public Choice seems to be assigned to the judgment of actual constitutional contractors. Buchanan could sometimes make such subjectivist gestures towards truth claims; but it seems bizarre to allow claims about the exchange properties of markets (say) to be determined by constitutional contract.

3. *Market Operations*: In the late afternoon of his life, Buchanan became intrigued by the significance of "increasing returns" in the operation of markets. In essence, this involved a recapturing of Smith's account of the fundamental forces making for the wealth of nations and recognizing its distinctiveness (as say from Ricardo and the modern mainstream tradition). One notable feature of this work is its "objectivist" qualities, that is, the "general opulence" distributed across all classes of society that was the explanandum for Smith is an externally observable phenomenon – a brute fact about human progress and not something that exists merely in the mind of the observer/evaluator.

4. *The Supply of Versus the Demand for Rules*: It is one thing to establish the "reason for rules," and even what rules agents might choose in the hypothetical constitutional setting, and another entirely to explain how those rules will be enforced at the in-period level. As Bentham famously put it in relation to rights, the demand for rules no more *are* rules than hunger is bread. In the treatment in the *Calculus*, where the agenda is to

discuss modest modifications of rules that are already in play (the size of the majority), the assumption that the modifications will be enforced can be carried perhaps by the uncontested fact that simple majority rule seems to be pretty robust. But as the agenda is generalized to include the entire template for rules governing social and political and economic life, the problem becomes acute. It needs to be explained just why agents who know their positions and who are presumed to be predominantly self-interested will find it in their interests to enforce and/or comply with the provisions previously agreed. To the extent that we look to courts to make decisions on the rules, and to the police to enforce court decisions, do we not need a "theory of *legal failure*," alongside market failure and political failure, to sustain the entire project? Buchanan seems to have had a blind spot about this issue. But without some response to the *quis custodet ipsos custodes* challenge, it is by no means clear that the whole elegant intellectual edifice can get off the ground. And to the extent that the necessary response involves some modification of the extreme *homo economicus* motivational hypothesis, may we not be required to carry that modification into the analysis of markets and in-period politics on exactly the same generality grounds that Public Choice mounts its attack on the benevolent despot?

5. *Chosen versus Inherited Rules*? It is a critical feature of Buchanan's constitutional paradigm that citizens choose the rules by which they are to live: Those rules have to be products of explicit consent. That fact explains why the market is an "efficient" institution only to the extent that it is constitutionally endorsed. Many observers (including Hayek and in another sense Hume) are inclined to respect "evolved rules" in themselves and to doubt the intellectual pretension that Buchanan's kind of constitutional constructivism involves. Buchanan himself explicitly rejects that kind of "respect": He thought it invokes a kind of quietism towards the institutional status quo that is ultimately servile. Middle ground is presumably available here – but one would certainly want some principled way of discerning which established rules ought to be treated with piety and which ought to be interrogated and perhaps ruthlessly overturned. There may be a tension between American vigor and European traditionalism in play here.

6. *Expressive Constitutionalism*? I cannot forbear to mention, by way of conclusion, an anxiety that arises

out of work of my own on voting. [13] That work is an extension of the idea of rational ignorance attributable to Downs in the sense that it takes as its point of departure the asymptotic irrelevance of each individual voter in determining the electoral outcome. This means that the relation between interests and behavior has a character in markets quite different from that in the ballot box. The individual voter is subject to a veil of insignificance not unlike the Rawlsian/Buchanan veil of ignorance, in that agents are distanced from their interests by the circumstances of choice. This fact very much blunts the distinction Buchanan draws between constitutional and in-period levels of choice in two senses: first because interests are attenuated in both settings; and second because individuals are in a large-number setting in making their constitutional agreements and hence a significant element of expressive behavior is likely to enter at the constitutional level. That is, people can quite rationally “cheer” for democracy or “trial by jury” or whatever, even when such institutions would not deliver better outcomes for them. This is not just a matter of rational ignorance – though there will predictably be plenty of that. It is also a matter of giving rational assent to all kinds of nostrums that “have strong expressive appeal” even when one knows they are silly or worse. Consider for example the vast extension of “rights” that seem characteristic of most modern (popularly endorsed) constitutions.

It is possible that in raising such queries I have been unjust to Buchanan’s intellectual scheme or placed the emphasis inappropriately -- or perhaps “buried” where I should have “praised.” My own view is that the way to honor Jim is to take his ideas seriously. That is what I hope I have done here. And I take confidence from the fact that Jim himself never drew back from a good robust argument!

End Notes

[1] There is an interesting question here as to whether authors’ intentions are definitive in “proper interpretation.” In fact, Jim was never much preoccupied with what others made of his work: He was content to let it speak for itself (admittedly, in many iterations!) In any event, the fact of Jim’s absence gives interpreters (like me here) a certain license – and a corre-

sponding responsibility – that we didn’t have in the same measure when he was alive.

[2] And of course not quite everything can be neatly shoehorned into a single frame. In over 20 volumes of work (the *Collected Works* published by Liberty Fund amounts to 19 and includes almost everything published up until 1998) there are bound to be somewhat independent pieces. But the claim of a general conceptual unity stands.]

[3] See for example his 1949 *Journal of Political Economy* article “The Pure Theory of Government Finance” – one of his very first major pieces. This article can be found in vol. 1 of *The Collected Works of James M. Buchanan*, pp. 119-32. [Not available online.]

[4] He drew a distinction between “logic” and “science” falling pretty much along the lines of the Austrian distinction between the a priori and the empirical. And like the Austrians, he thought that the a priori element could take one a long way.

[5] Whately, as the second incumbent of the Oxford Drummond chair in the 1830s, engaged a stirring (but obviously unsuccessful) battle to have the name of the discipline changed from “political economy”/“economics” to “catalactics.”

[6] Elsewhere I try to indicate what I see as distinctive in Buchanan’s emphasis on “politics as exchange” and in particular contrast his perspective with more conventional interpretations of the “Public Choice paradigm.” See Brennan (2012).

[7] Despite protestations to the contrary, I reckon it still does. In most public-economics texts, “Public Choice” analysis is relegated to a separate independent chapter – as if it were a rather eccentric preoccupation that some scholars regard as important, but which can be excluded if the lecturer prefers. A distinguished notable exception to this generalization is Arye Hillman’s (2003) text and especially the second edition thereof.

[8] And, indeed, any normative feature of the social order against which market outcomes might be assessed (so “distributive justice,” for example). Buchanan and I discuss this issue explicitly in our *Reason of Rules* (1985) ch 7.

[9] In this, there was a kinship between the Public Choice approach and the earlier Austrian critique of “socialist calculation.” But whereas the Austrians em-

phasized the epistemic constraints involved in recognizing optimality, the Public Choice scholars emphasized the motivational aspects: If governments had the power to impose outcomes, why would they be motivated to choose the one that maximizes the “public interest” as they see it?

[10] He agreed, that is, that social planners would lack the information required for any such imposition.

[11] I say “so-called” here since the existence of “failure” in any relevant sense presumably implies that it is feasible to have something better.

[12] Buchanan always recognized the affinity between his approach and that of John Rawls, and often remarked that his project and Rawls’s are very similar, even though “they have been interpreted differently.” On one notable occasion at a Liberty Fund conference, Anthony Flew was mounting an all-out attack on Rawls’s “procrustean” scheme and was astounded at the severity of Buchanan’s response. Buchanan was as defensive of Rawls as he was enraged by John F. Kennedy (though the Kennedy issue is another story.)

[13] In various collaborations: Brennan and Lomasky (1993), Brennan and Hamlin (1998), and notably Brennan and Buchanan (1984).

2. RESPONSES AND CRITIQUES

1. Response by Viktor J. Vanberg

When Geoffrey Brennan begins his assessment of James M. Buchanan's work with remarks on the author's authority in interpreting his own creation, he addresses a general issue that is of particular significance when the author is, as in Buchanan's case, a paradigm-creator whose life-work centers around, as Brennan puts it, "an identifiable research program." For those who carry such a research program because they consider it more promising than relevant alternatives, there are essentially two alternative attitudes towards the paradigm-creator's work. They can look at it as a contribution to what K. R. Popper calls the world of "objective knowledge" and see their own task in further solidifying and expanding the theoretical edifice for which the paradigm-creator laid the foundations, but which he may not have already worked out fully and consistently in all its ramifications. Or, alternatively, they can treat it as a definitive and authoritative doctrine proclaimed by a "master" who has left for them little more than the exercise of interpreting his work most faithfully. The first attitude promotes science as a cumulative enterprise that is advanced by – again in Popper's terminology – "conjectures and refutations" or "trial and error-elimination." The second attitude easily leads to sectarianism, a fate that the paradigm Ludwig von Mises created appears to have suffered in some libertarian quarters.

It is obviously the first attitude that informs Geoffrey Brennan's restatement and reassessment of the "Buchanan position"; it is surely the attitude that Jim Buchanan would have wanted us to display when we approach his work, and more specifically his "constitutional contractarianism"; and it is in this spirit that I want to comment on the first two of the six "questions and queries" that Geoffrey poses in the latter part of his essay.

The first point that, under the heading "Buchanan as a Classical Liberal," Geoffrey suggests for discussion concerns whether some parts of Buchanan's work may not be inconsistent with a "true liberal individualism." Specifically he refers to the argument, central to the Buchanan paradigm, that working out the rules of the

social/economic/political game is an "intrinsically collective exercise," and to Jim's belief in "confiscatory estate and gift duties." I will address each aspect in turn.

As far as the consistency of the Buchanan paradigm with a "true liberal individualism" is concerned I have argued on several occasions (e.g. in Vanberg 2001) that, in my assessment, it is Buchanan's particular merit to have rectified a deficiency of the "free-market liberalism" that many libertarians claim to be the only doctrine consistent with the value of individual liberty. Advocates of free-market liberalism are surely right in emphasizing that market transactions are distinguished by the fact that they are voluntarily entered into by the parties involved, whose agreement testifies that each expects to gain, thereby conferring legitimacy on the transaction. They are also right, when they apply the same logic to collective arrangements – such as business organizations, clubs, or other kinds of associations – that are voluntarily entered into by market participants even if the "constitution" to which the contracting parties agree limits their in-period freedom of choice, such as employees who agree to follow, within defined limits, the orders of their employer, or stockholders who have to accept whatever decisions the agreed-upon corporate decision-procedures generate. Such judgments on within-market transactions and arrangements are derived from the presumption that when we speak of a "market" we thereby mean a social arena within which voluntary contracting is the only legitimate method by which participants can enlist the cooperation of others.

What free-market liberals easily lose sight of is the fact that markets as "arenas for voluntary cooperation" are not a gift of nature, but are rather social institutions the working properties of which depend on the presence and effective enforcement of "rules of the game" that define what strategies the market participants may or may not legitimately employ in pursuit of their self-interest. These rules may be, and as a matter of fact are, defined differently in different polities, and with differently defined rules the outcome patterns that result from legitimate market transactions may differ significantly. [1] Accordingly, the question arises of what provides legitimacy to the very institutional framework within which markets operate and which delimits the liberty individuals enjoy as market participants. What makes this question particularly relevant is that, as

much as markets operating within “appropriate” rules can be trusted to work beneficially, markets cannot be expected to spontaneously generate and enforce the rules – at least not all of them – that are required for their beneficial working. Surely, for those rules of the market game that are by necessity subject to collective-political choice, free-market liberals face the question of how, by what criteria, they propose to judge the merits of potential alternative rules. And, upon further reflection, it should be apparent that rules that have evolved spontaneously cannot per se be exempt from critical scrutiny, but that for them, too, free-market liberals must specify the criteria against which they ought to be judged.

I neither want nor need to comment on how – if at all – free-market liberals have responded to the noted challenge, e.g., by invoking natural-rights doctrines. What I want to stress is that James Buchanan must be credited for having spelled out what, as I submit, is in fact the answer that a consistent adherence to a “true liberal individualism” requires. Buchanan’s contractarian constitutionalism simply insists that if a liberal individualism considers market transactions and arrangements legitimate because of their voluntary contractual nature, it must apply the same criterion of legitimacy, namely voluntary agreement among the parties involved, to the *constitutional level* at which the “rules of the game” are – explicitly or implicitly – adopted, be it the rules of the market or the rules of politics. In other words, Buchanan insists that a free-market liberalism that emphasizes individuals’ sovereignty at the subconstitutional level of within-market choices must be supplemented by a *constitutional liberalism* that respects individuals as sovereign choosers at the constitutional level as well, where they jointly decide on the rules under which they want to live.

Extending the fundamental normative principle of voluntary choice and voluntary contract to the constitutional level of course raises the question of how this principle can be meaningfully specified and secured at that level, a question that is obviously much more difficult to answer than in the case of market transactions where what “voluntary” means is defined in terms of the rules that constitute the market as an arena of voluntary cooperation. Yet the fact that the question is difficult to answer cannot be a legitimate excuse for classical liberals simply to ignore it. They should, instead, at least appreciate – if not join – the enterprise

that Buchanan’s research program pursues: Inquiring into how the processes by which constitutional rules are adopted and reformed may themselves be framed by rules that advance and secure voluntariness in constitutional choice. That the political processes in modern democracies, not to speak of other regimes, have grave deficiencies in this regard has often and rightly been criticized from within the liberal paradigm. With his contractarian constitutionalism Buchanan reminds his fellow liberals that they ought to go beyond such criticism and face the task of suggesting institutional reforms in the democratic process that may help to strengthen individual sovereignty at the constitutional level -- to the extent that, given the inherent nature of collective-political choice, it can be realized at that level.

On the sub-issue that Geoffrey raises under the heading “Buchanan as a Classical Liberal,” namely Jim’s “passionate belief in confiscatory estate and gift duties,” I have only a very brief comment to make. It can, indeed, be viewed as an exemplification of what I noted at the beginning of my comment, namely, that there is little reason to expect a paradigm-creator to be always consistent in his own contributions to the theoretical edifice for which he laid the foundations. The very logic of his own paradigm implies that if Buchanan’s noted belief is meant to reflect more than his personal preference, it can only be treated as a proposal for constitutional reform that he conjectures to produce mutual gains for all members of the polity. Whether there are indeed good reasons to assume that this conjecture is correct is surely debatable. And whether it is a proposal that is likely to pass the agreement test is, as Geoffrey submits, rather doubtful.

The second question that, under the heading “The Double Role of Exchange,” Geoffrey poses concerns whether Buchanan’s insistence on agreement among the individuals concerned as “the ultimate test” of the constitutional economists’ conjectures about welfare-improving constitutional reforms means that the “actual constitutional contractors” are assigned the authority to determine the truth of claims that economists make about the factual working properties of institutions in markets and politics. As Geoffrey notes, it would indeed be “bizarre” if the contractarian-constitutional paradigm were to imply that, say, the members of a polity to whom a constitutional economist proposes what he conjectures to be a mutually beneficial constitutional

reform were to determine, by their acceptance or rejection of the proposal, the truth or falsehood of the factual claims that are part and parcel of it. This is, however, definitely not the case, and it becomes apparent why this is so as soon as one explicitly distinguishes between the two subconjectures that are included in the constitutional economist's conjectures about mutually beneficial constitutional changes, namely, on the one hand, conjectures about the change in outcome patterns that the suggested reform can be expected to produce and, on the other hand, the economist's presumption that the addressees of his proposal will welcome the predicted changes and will, therefore, share a common constitutional interest in the suggested reform.

Accordingly, the "truth value" of the constitutional economist's conjectures about mutually beneficial constitutional reforms will depend, on the one hand, on the correctness of his hypotheses about the factual working properties of rules and, on the other hand, on his conjectures about the addressees' subjective evaluation of the consequences that the rules under consideration are predicted to have. If his reform proposal does not pass the agreement test, his conjecture that the suggested reform promises mutual gains for all persons involved must be regarded as refuted, at least for the time being. [2] Such refutation, however, does not at all mean that the economist's hypotheses about the factual working properties of the pre-reform and post-reform rules are thereby falsified. The contractarian-constitutional paradigm respects the members of a rule-choosing group as the ultimate judges of what, in their own assessment, can count as a "welfare-enhancing" reform. Yet it definitely does not install them as judges on the truth or falsehood of the economist's conjectures about the factual consequences that suggested constitutional reforms can be expected to produce.

End Notes

[1] Consider for example the different outcome patterns that can be expected to result if the property rights in urban plots include or exclude the right to use them for purposes such as, e.g., pig breeding or operating a shooting range.

[2] The qualifier "for the time being" is added to account for the possibility that the failure to gain agreement may be due to misperceptions on the addressees' part, misperceptions that might be corrected by further information on the actual effects of the suggested reforms.

2. Response by Peter Boettke: "The Political Economist of His and Our Age: James M. Buchanan"

It is hard to imagine a more fitting person to write a tribute to James Buchanan than his longtime associate and coauthor Geoffrey Brennan. Few understand Buchanan's subtle positions with respect to philosophy, politics, and economics as well as Brennan. And Brennan's tribute also captures the critical attitude that Buchanan believed we must always take. From his teacher Frank Knight, Buchanan learned many things, but perhaps the most important one was to treat all ideas critically and to hold nothing as sacrosanct. The onward-and-upward call that characterizes Buchanan's intellectual career is what we must also adopt as our own if we want to make progress in the field of political economy.

After years of studying Buchanan's writings and assigning them to students, I have lots of questions, some of which overlap with Brennan's questions. I also have lots of appreciation, but no doubt Brennan is right that the best way to honor the legacy of Buchanan is to push the boundaries, leave the comfort zone, and probe deeper into the research program of constitutional political economy and the relationship between social philosophy and political economy more generally.

Two big questions that remain for me about Buchanan's system, which Brennan raises, relate to (a) endogenous preferences and (b) evolutionary explanations for the rules on which we agree. First, let's examine endogenous preferences. Brennan in joint work with Philip Pettit (e.g., Brennan and Pettit 2002) has raised this issue to a new level in Public Choice/political economy discourse. Yes, they argue, power may corrupt, but political office and the responsibility of leadership may ennoble the office holder. Julian

LeGrande's *Motivation, Agency and Public Policy: Of Knights and Knaves, Pawns and Queens* (2003) raised this endogenous preference critique of Public Choice theory as well. Buchanan himself seems to recognize this point in his essay "Natural and Artifactual Man" (1979a), where he makes a strong argument for the autonomy of the individual as a prerequisite for discovering the path to constructing his or her life. "Man wants liberty," Buchanan states, "to become the man he wants to become." Such an open-ended model of man raises a different set of questions from those that arise when Buchanan models man in the more closed-ended maximizing framework.

Anyone who follows Public Choice and Buchanan's contributions to the field in particular will recognize immediately that he considers methodological individualism, homo-economicus, and politics-as-exchange as the three pillars on which the economic analysis of politics rests. But what actual purpose does homo-economicus play in Buchanan's work when in essays like "What Should Economists Do?" (1979b) he seemingly rejects the maximizing model and the allocation paradigm? First, a careful reading demonstrates that Buchanan does not reject maximizing at the level of the individual. It is the intellectual sliding from the individual to the collective that he objects to. Individuals are teleological; economic systems are not. So treating the economic problem that society faces as the allocation of scarce means among competing ends is simply a nonstarter for Buchanan. This methodological restriction against carelessly sliding from the individual to the collective is also what underlies his critique of organismic views of the state (see Buchanan "A Pure Theory of Public Finance" 1949) as well as his critique of Arrow's "Impossibility Theorem" (see Buchanan "Social Choice, Democracy and Free Markets" 1954).

It is perfectly legitimate in Buchanan's system to see the individual as engaged in a self-interested rational choice; it is quite another to see society behaving collectively along these lines. It is also the case that Buchanan's model of man is not one of narrow self-interest; a variety of arguments can enter the utility function. As Brennan points out in his remarks, Buchanan actually waffles back and forth between a position of pure logic, or philosophical understanding of human choosing, and the scientific/predictive theory. If men act like rats, Buchanan argues, then we can model them as maximizers; if men act like human

choosers, engage in a quest to discover whom they want to become, then the maximizing model of man is not as useful a descriptor. So what use can it be put towards?

Here--and Geoff Brennan knows this better than anyone--Buchanan shifts the homo-economicus assumption from either an "as if" to explain economic behavior or a "normative benchmark" for decision theory to a tool in constitutional construction. This is the Humean move: In designing a government we must presume that all men are knaves and then build political institutions that guard against the knavishness in all of us. This is how a robust political and economic system can be cultivated--by rules that do not require us to become better people for their operation, but which work even when we are sometimes good, more often bad; sometimes smart, but more often stupid. The rules, not the behavioral assumptions, do the heavy analytical lifting in political economy.

Buchanan, like Hamilton in *Federalist 1*, wants us to address the challenge of whether our constitutions are going to be consequence of accident and force (historical evolution) or choice and reflection (constitutional craftsmanship). While not denying the power of historical evolution, Buchanan denies its "efficiency" in selecting the right rules by which we can live better together. Instead, he opts for choice and reflection, and that hope is to be found in constitutional contractarianism (to use Brennan apt phraseology). Buchanan's use of a rational-actor logic--in a situation where the actor himself has no idea of his particular endowments of talents and position in the postconstitutional contract world--will produce agreement on fair rules. This constitutional agreement will be harder to broker the more concrete the rules of resource distribution under discussion, but easier to broker the more abstract and general the rules for the social game we are to play.

Since 2008 Buchanan sharpened his criticism of the over-optimism about the efficient evolution of rules governing the economic and political game of modern society. The New Chicago School, he argued repeatedly, had been led into an error by stressing the machine-like efficiency of the market economy without emphasizing that the market functions or fails to function on the basis of the rules within which it operates. And Buchanan held out particular criticism for a naïve form of libertarianism, which thinks that the market itself

can produce its own rules through evolutionary selection. He attributes this position to Hayek and his followers. Buchanan makes some fundamental points about not only the reason of rules, but the necessity of rules and their enforcement.

I have argued repeatedly throughout my own career--which has been defined by the postcommunist transitions and the failure of development planning (see Boettke 1990; 1993; 2001)--that one of the really significant practical challenges in political economy is contemplating whether the "transition to the market is too important to be left to the market?" [1] I don't want to emphasize the normative element of this but rather the positive political economy of this question. In many ways this is just an implications of taking Buchanan's own admonition that we begin with the "here and now" in political economy analysis. When discussing transition economies, and failed and weak states, as Raghuram Rajan (2004) does, it is a mistake in economic analysis to treat the institutional framework as given when in fact the absence of that institutional framework explains why the situation is what it is.

While fully conceding Buchanan's point about the misuse of evolutionary arguments, I have to respectfully disagree with my teacher. [2] I don't think the mere move to social contract theory and veils of uncertainty at the rules stage solves the difficulties that Buchanan identifies. However sympathetic I am to Buchanan's efforts, I think the more fruitful research approach is to take the challenge seriously and seek to identify the mechanisms operative in social evolutionary processes that serve a functional role analogous to property, prices and profit/loss within the market economy and which provide us with functional rules on which we can agree.

We must see constitutions as capable of being made from the "bottom up" rather than as always the consequences of "top-down" choice, precisely because in the situations of transition and development that we study, the institutional capacity to achieve order from the "top down" is absent almost by definition. It is important to stress that such constitution-making from the bottom up, along the lines discussed by Vincent and Elinor Ostrom in their respective work, does not commit the analysis to viewing constitutions as merely the product of historical accident and force, but instead as

genuine products of reflection and choice. The rules that make possible self-governance and the overcoming of social dilemmas can be, but are not necessarily, limited to evolved informal social norms. Covenants without the sword of the state can take many forms--and we need to be open as economists and political economists to studying the details of the variety of design principles that enable effective self-governance. [3]

The open-ended model of choice, I would like to contend, fits with the bottom-up approach to constitutional craftsmanship. [4] The rules that enable us to turn situations of social conflict into opportunities for realizing the gains from social cooperation under the division of labor are those rules that Buchanan identifies in his reflection on constitutional construction. They are general; they minimize predation (including public predation and thus political externalities); and they introduce a structure of countervailing forces that check opportunistic behavior by pitting it against other opportunists rather than relying on saintly conversions among political actors.

James Buchanan is *the* political economist of his and our age. He thought deeply about issues in social philosophy and political economy that, among his contemporaries, perhaps only Amartya Sen also took on. He was a political economist in the Smithian sense of a moral philosopher in the age of economic scientism. In this sense he was very much following in the footsteps of his teacher Knight and also Hayek. Others were strong classical liberals, such as Milton Friedman, and still others were more hardnosed Public Choice economists, such as Gordon Tullock. But Buchanan waged a different intellectual battle--one for the soul of a discipline and an idea. The practice of economics had been derailed by excessive aggregation on the one hand and excessive formalism on the other by mid-20th century. Buchanan had to pick up his pen and try to counter these. The result is an amazing intellectual legacy for scholars to draw on in the fields of philosophy, politics, and economics.

End Notes

[1] Peter Leeson and I published a paper under that title (Boettke and Leeson 2003), and we also examine similar issues in our work on two-tiered entrepre-

neurship (Leeson and Boettke 2009), also see my overview papers on the topic (see Boettke 2011).

[2] For an appreciation of the central insights of Buchanan to the intellectual tradition of “mainline” economics, see my discussion of his work in *Living Economics* (Boettke 2012, 42-65; 241-61).

[3] On the Ostroms’ contributions to political economy of self-governance see Boettke (2012, 139-158; 159-171). Also see Aligica and Boettke (2010) for a book length discussion of the research program of the Bloomington School of Political Economy.

[4] On the open-ended model of choice and its implications for political economy see Richard Wagner’s *Mind, Society, and Human Action* (2010).

3. Response by Steven Horwitz: "Breaking Open the Black Boxes of Political Economy"

Geoffrey Brennan has given us a very comprehensive once-over-lightly treatment of the breadth of James Buchanan’s contributions. In reading it, I was struck again by that very breadth and how Buchanan was a major figure in several fundamental areas in economics. One of the great joys of reading his work is that, perhaps more than any other 20th century economist aside from F. A. Hayek, Buchanan asked questions that penetrated to the core of economics as a discipline. He was a master at stepping back from the conversation and asking us all to consider what it all meant and whether we were even talking about the right thing. His legacy, I believe, will be the ways in which he asked the kind of questions that undermined the conventional wisdom and led economists to look at their subject matter with new eyes. Once you see economics as about exchange and the institutions that frame it, as Buchanan does, you never see it the same way again.

One point Brennan raises in several places is Buchanan’s relationship with the Austrians, specifically with respect to their contribution to the debate over the feasibility of rational calculation under socialism. Starting with Ludwig von Mises’s 1920 paper [“Economic Calculation in the Socialist Commonwealth”] and

1922 book [*Socialism*], and extending through Hayek’s famous essays in the 1930s and 40s, the Austrians argued that central economic planners would lack the knowledge necessary to allocate resources with any semblance of economic rationality. As Brennan points out, Buchanan accepted this argument, but chose to ask a different question: If political actors *did* have the knowledge necessary, would they have the incentives to act on that knowledge in the right way? It is worth noting that one can view the Austrian contribution as asking the inverse question: *Even if* planners’ incentives are properly aligned, can they acquire the knowledge to do the right thing that they really wish to do?

Buchanan and the Austrians were looking at the same big questions in political economy from opposite sides of the street. I think this is not accidental. What they all shared was a dissatisfaction with the ways in which the emerging neoclassical mainstream of the interwar and postwar years was thinking about these issues. As formalism and technique began to squeeze out economic intuition and decades of accumulated knowledge about the operation of markets and politics, the discipline began to lose sight of how real-world institutions actually worked. Increasingly committed to a formalism that had no role for uncertainty and imperfect knowledge, economics lost its ability to understand perhaps the most fundamental question in the social sciences: How do we achieve social cooperation and coordination in a world of anonymous, self-regarding, and epistemically limited actors? The institutions of the market and politics had become black boxes that economic understanding could not penetrate.

What the Austrians and Buchanan did was break open the black boxes of the market and politics respectively and reveal their inner workings, which contrasted with the official models of the discipline. For the Austrians, Mises’s work on economic calculation and then Hayek’s work on the role of knowledge in the market process both challenged the emerging equilibrium-oriented formalism that was increasingly unable to understand how market institutions facilitated the use of knowledge through the price system, which in turn generated economic coordination among anonymous actors. Rather than the perfectly informed agents maximizing known preferences against known constraints using given prices of general equilibrium analysis, the Austrians saw the market as a process through which actors with epistemic limits engaged in social learning.

This is the key lesson of Hayek's series of knowledge papers in the 1930s and '40s.

One important implication of this work is that it revealed markets as "imperfect" in comparison to perfectly competitive general equilibrium. The Austrian argument was never that markets solved every problem ideally, only that they did so better than a world in which they were absent. This point mattered because it was half of what would become a two-part challenge to the theory of "market failure" that was beginning to emerge. Developed in the same period as the Austrian work, but arguably codified after World War II in Samuelson's *Principles*, this view argued that any way in which markets failed to live up to the perfectly competitive ideal was defined as a "market failure," with the presumption that it could be remedied by appropriately designed government intervention. Market failure, by this definition, was omnipresent. What the Austrian argued was that the comparison to the perfectly competitive ideal was misguided: It relied on a view of human agency and knowledge that was at odds with the reality of human action and therefore presented a conception of "markets" that bore no relationship to the actual institutions of the market.

The other half of this challenge came from Buchanan. Just as the Austrians had broken open the black box of the market to challenge the blackboard models of midcentury economists, Buchanan and the Public Choice tradition broke open the black box of politics to challenge the blackboard models of the state held by economists, political scientists, and others. For Buchanan, even if markets "failed," the question was whether the blackboard models of government intervention could work as promised. For example, pollution was often seen as a "market failure" caused by polluters imposing costs on third parties, rather than bearing them directly, which implied that they were producing more pollution than was optimal. The correction would be for governments to tax the polluters an amount that matched the social cost of the pollution, thereby discouraging their behavior and providing the revenue needed to compensate those harmed by the pollution. On the blackboard, this solution would bring about the efficient result the market could not achieve.

What Buchanan did was to point out that the problem with the "market failure implies political remedy" formula is that these models invoked a "behav-

ioral asymmetry" about market and political actors. In the perfect-competition model, actors were assumed to be motivated by their self-interest in their response to costs and benefits. By contrast political actors were never modeled as thinking about their self-interest; they simply did what the blackboard models said they should do in the public interest. No one ever asked whether doing what economists said "should" be done was actually in the interest of political actors. To be precise, Buchanan's contribution here was not to say that politicians are self-interested, but to simply demand that we treat economic and political actors symmetrically. That is, doing political economy responsibly means making the same assumptions about the motivations of political actors as economic ones. This is what Buchanan means by saying that we need "politics without romance."

Breaking open the black box of politics meant that politics too now had to be seen as the realm of self-interested exchange. With voters, politicians, and bureaucrats all behaving in broadly self-interested ways in response to incentives, the idea that governments would do what economic models said they should was forever changed from an assumption to a question. Just as the Austrians pointed out that real-world markets are about the strivings of epistemically limited actors engaging in exchange rather than maximization, Buchanan pointed out that real-world political institutions are about self-interested actors engaging in exchange rather than automatically serving the public interest.

Breaking open these black boxes gives us a truly comparative political economy. With neither markets nor politics able to function like the blackboard ideal, we are forced to actually compare how each system works in its imperfect reality. This is where Buchanan's emphasis on "rules of the game" moves to the forefront. A political economy that asks how well different sets of rules will function when the game is played by actors who are both epistemically limited and broadly self-interested will be, in Mark Pennington's (2011) term, "robust" with regard to assumptions about human action and motivation. Sets of rules that generate wealth-increasing and coordination-enhancing exchanges even when knowledge is limited and knavery is afoot will be ones that we will want to adopt if we care about human progress.

Buchanan's constitutionalism, which parallels many of the ideas in Hayek's later work, such as *The Constitution of Liberty* (1960), is the natural resting place for both Public Choice theorists and Austrians. What modern Austrian economics can bring to Buchanan's work is the question of whether constitutional rules must, as he believed, be imposed exogenously. As Brennan notes, Buchanan did not believe that market processes could generate all of their own rules. Rules that prevented destructive self-interest or channeled it into productive uses had to be the product of political deliberation. A younger generation of scholars in the Austrian tradition is challenging that view. Although they largely accept Buchanan's analysis of the problems of politics, they are exploring whether markets and other nonpolitical processes can endogenously generate rules and norms that lead to effective self-governance in the absence of the state. They too are doing "constitutional political economy," but the word "constitutional" refers not to a literal constitution, but to our ability to generate self-enforcing norms of that sort. Buchanan himself was indeed skeptical of the possibility of a stateless society, but his work, like Hayek's, might point in a more radical direction.

4. Response by Loren Lomasky: "James Buchanan as Political Philosopher"

As the leading figure in the Virginia School of Political Economy, James Buchanan traversed several disciplines. His greatest fame, as certified by the Nobel Prize committee, is as an economist, but Buchanan saw himself as operating in a tradition that reckons philosophers Thomas Hobbes and David Hume as exemplary members. It is, then, appropriate on this occasion to ask what his work means to political philosophy.

If that is understood as a request for a description of the state of contemporary philosophical discourse, the indicated answer is "not much." Although I have not undertaken a literature search, my own experience yields few sightings (or citations) of Buchanan in mainstream philosophical publications. This is not altogether surprising. The geography of contemporary academia is such that transit across disciplinary lines typically

is slow and tentative. For example, in the immediate wake of the renaissance in political philosophy that followed the publication of John Rawls's *A Theory of Justice* and Robert Nozick's *Anarchy, State, and Utopia*, Friedrich Hayek was mostly invisible in philosophical exchanges. Now he is everywhere. [1] Recognition delayed is not necessarily recognition denied. Will Buchanan's influence similarly wax in subsequent decades? I expect that it will, but even more I hope that it will. That is not because of filial piety to someone I liked and respected but because there is much that the practice of political philosophy can take away from his strategic commitments. I will briefly discuss two such areas below: (1) Buchanan's distinctive contractarianism; (2) Public Choice's homo politicus anthropology.

James Buchanan's Constitutional Contractarianism

Much of Buchanan's work subsequent to the 1962 publication of *Calculus of Consent* was directed at working out the ramifications of choosing rules at a constitutional level that will then govern the terms under which subsequent political bargains can be made. This program bears an obvious resemblance to Rawls's derivation of principles of justice. Like Rawls, Buchanan is a *constructivist*. This means that rules are not chosen because they are independently ascertained to be authoritative but rather are authoritative because they are chosen (under a suitably defined set of background conditions that guarantee fairness). For Rawls fairness is achieved via a mechanism of standing behind a *veil of ignorance* that separates individuals from knowledge of their own individuating features and thus deprives them of a capacity to rig the rules in their own private interest. Buchanan's less stylized characterization of the constitutional choice situation eschews a formal veil of ignorance but suggests that uncertainty about future circumstances is functionally similar. Any rule selected now will govern an indefinite number of choice situations in which one will occupy a vast and indeterminate range of roles. Accordingly, it is the part of rational prudence to opt for institutions under which one will do well in an expected sense whether in any given play of the game one happens to be advantaged or disadvantaged. These contractarian similarities may explain Buchanan's affinity toward Rawls despite the considerable ideological distance separating them. [2]

The two constructions, however, are not interchangeable. Rawlsian contract is hypothetical and idealized, stripped of time, place and even the personalities of the so-called contractors. It aims to elicit invariant principles of social justice. For Buchanan there are starting positions but no Original Position. Rather, constitutional agreement is conceived like all other exchange as a means for getting from here to there, wherever “here” may be. If rules currently in force fail to allow some potentially productive exchanges to take place, then people can render themselves better off by judiciously altering those rules. This is a program for adjustment *in medias res*, not the moral foundationalism that characterizes Rawls’s theory and those of his contractarian predecessors such as Hobbes, Locke, and Kant. Which approach is better? The answer is: It depends for what. Without in any way wishing to diminish the significance of the philosophical tradition, I think the search for invariant principles can usefully be supplemented by strategies for principled adjustment.

Among the most challenging problems in the contemporary practice of politics is how to replace palpably substandard rules of decision-making by more robust ones. Let me offer what I hope the reader will agree is an especially salient example. The United States and most European Union countries have shown themselves discouragingly unable to get a handle on reining in intergenerational transfers. Both with regard to funding pensions of former public employees and to maintaining the medium- and long-term solvency of general governmental welfare programs such as Social Security and Medicare, amassing liabilities has proved to be electorally popular while working out realistic policies for picking up the tab remains well-nigh impossible. As I write this piece, barely two months removed from the near-death experience of hurtling toward the vaunted “fiscal cliff” and two days into the new age of sequester, it is clear that lurching from one ad hoc policy to the next is unequal to the task of rationalizing the budget process. Rather, what is called for is less focus on individual crisis response – which mostly amounts to kicking the can down the road – and redirection to consideration of the rules under which political actors operate. Here’s one thought: Perhaps legislatures would do better if supermajorities were required whenever transfers to current recipients will burden future generations. Frankly, I am not sure how or whether this could effectively be implemented, or whether it would

be one of those many cases in which the proposed “cure” turns out to exacerbate the problem. What I am relatively sure of is that no extended consideration of the pros and cons of, say, Rawls’s Difference Principle or any similarly abstract postulate of justice is liable to make these problems any more tractable. On the other hand, Buchanan’s version of constitutional contract may aid us in thinking more clearly about how the rules of the political game could be altered in a manner that serves the long-term interests of all affected parties.

I confess that despite the above, I tend not to share Buchanan’s optimism concerning prospects for intelligent and effective rule change. His version of a veil of ignorance is apt in many cases to be insufficient to shield individuals from precise knowledge of their own expected gains and losses under a proposed new regime of rules. That is obviously so with regard to knowledge of the generational cohort to which one belongs and the gains or losses one thereby stands to realize. Thus general support for rule-based solutions to the sorts of issues mentioned in the preceding paragraph are apt to be contentious. But what alternative strategy holds out more promise?

Homo Politicus

Buchanan insists that individuals who enter the political arena bring with them the same motivational profile that informs their market activities. Self-interest narrowly construed is what propels both kinds of efforts. Regardless of whether the individuals in question are office-holders or the voters who put them there, *homo politicus* reveals himself to be the self-same creature as *homo economicus*. That is what Buchanan means when he characterizes the theory of Public Choice as a “politics without romance.”

Hume: "In contriving any system of government, and fixing the several checks and controuls of the constitution, every man ought to be supposed a knave, and to have no other end, in all his actions, than private interest"

By way of contrast, philosophical thinking lays the romance on as thick as a Mexican soap opera. [3] From Plato’s philosopher-kings onward, politics is typically conceived as the disinterested and ennobling pursuit of a common good. Rulers as well as humble citi-

zens are expected to set aside their private interests in favor of that which tends to advance the well-being of the greater community. [4] Rousseau set out with unequalled flair the opposition of a general will to private individual wills, Less dramatic but similarly romantic, the contemporary theory of “deliberative democracy” conceives the primary business of citizens to be, as the name has it, deliberating democratically. More specifically, deliberative democrats argue that it is not enough for people to cast the occasional election-day ballot or even to lend some thought to the nature of their own interests and which candidate promises to do best by them. Rather, they are to study – intensively, as opposed to consuming a handful of soundbites during off hours – the issues at stake and how the candidates stand on them. Crucially, they are then to estimate which among the available alternatives best serves the citizenry at large and then lend to it their efforts, which include but go well beyond the mere act of voting.

Is there a conflict between the pursuit of one’s personal projects and intensive engagement in political discourse? No – not if one happens to be a professor of political theory. For almost everyone else, however, political activity is orders of magnitude less central than making a living, raising one’s kids, upgrading to the latest iPhone model, attending (or staying away from) the house of worship of one’s choice, and all manner of other private pursuits. When politics does enter such an individual’s life, it is probably as an adjunct to these interests, not as the vehicle for pursuing an abstractly conceived common good. Some will argue that this amounts to civic irresponsibility. I am inclined instead to believe that more harm is done to the body politic by excessive political zeal than by too little, but this is not the occasion to enter into that discussion. Instead, I advance the modest point that a theory of democratic accountability optimized for a nation of political philosophers is apt not to fit well a populace whose priorities lie elsewhere. This isn’t to deny that there are lessons to be learned from utopian constructions; philosophy surely is ornamented by the contributions of Plato, Rawls, Nozick, and even that rascal Rousseau. In contemporary democratic theory, however, utopianism is excessive. Deliberative democracy and other utopian accounts [5] offer little assistance to the workaday job of piecemeal institutional improvement. If I may be allowed a brief descent into the jargon of the discipline, political philosophers distinguish *ideal* from *non-*

ideal theory, and it is to the former that they devote a disproportionate amount of attention. It can be argued that mainstream Public Choice theory errs in the opposite direction. [6] I interpret Buchanan as endeavoring to split the difference. Although illusion-free, *homo politicus* nonetheless is keen to improve his own lot along with that of his fellows by consensual agreements concerning the rules that govern them. Buchanan’s intermediate position can, I believe, support productive strategies for thinking about how democracies can be reengineered so as perform more smoothly.

Conclusion

As Geoff Brennan observes, Buchanan pursued a remarkably intensive and coherent research program over the course of more than 60 years. From it I have extracted two themes that complement the enterprise of political philosophy. If this mini-essay were longer, I would supplement them with others. Here are two that ought to be of special interest to libertarians: (1) the debate between anarchy and the limited state; (2) Buchanan’s unique *intragenerational* libertarianism coupled with substantial *intergenerational* redistribution in service of a view of social justice that is more commonly encountered on the left. Mostly, though, in these paragraphs I have been trying to persuade philosophers and the philosophically minded to reconsider the work of a theorist who belongs to them no less than he does to the economists.

Endnotes

[1] There is no mention of Hayek in the index of Rawls’s massive book.

[2] See Brennan’s preceding essay. At a conference for which he and I were co-organizers we observed that this respect was reciprocated.

[3] I recommend to curious readers the Univision network.

[4] A conspicuous exception is David Hume, who advises in “Of the Independency of Parliament,” “POLITICAL writers have established it as a maxim, that, in contriving any system of government, and fixing the several checks and controuls of the constitution,

every man ought to be supposed a knave, and to have no other end, in all his actions, than private interest.”

[5] See, for example, David Estlund, *Democratic Authority: A Philosophical Framework* (Princeton: 2009), a splendidly ingenious and technically sophisticated volume that makes no concession to realism.

[6] See Loren Lomasky, “Public Choice and Political Philosophy,” *Public Choice* 152 (September 2012), pp. 323-27.

5. Response by Edward Stringham: "James Buchanan and the Economics of Anarchy"

How is order in society created? James Buchanan is well known for his work on the economics of politics and constitutional political economy, and Brennan (2013) and others do an excellent job summarizing these contributions. I, however, would like to highlight another area of my professor’s pioneering work, the economics of anarchy. [1] Buchanan was not afraid to ask big questions in political economy, including what would property rights and economics look like without government. Buchanan (1974) wrote: “It is high time to shift out of the pragmatic mind-set that has been our national characteristic. The grand alternatives for social organization must be reconsidered. The loss of faith in the socialist dream has not, and probably will not, restore faith in laissez-faire. But what are the effective alternatives? Does anarchism deserve a hearing, and, if so, what sort of anarchism?”

Buchanan was in many ways a traditional Hobbesian. Brennan (2013) is correct to write that Buchanan “rejected anarchy as a viable option, broadly embracing the Hobbesian argument for government and in the process adding his own kind of ‘rational reconstruction’ of the Hobbesian position.” Buchanan believed that under anarchy property rights would be insecure, often using the dictionary definition of anarchy that entails disorder, not just lack of government. On the other hand, Buchanan was not a traditional Hobbesian and had certain affinities toward individualist anarchism. [2] Buchanan wrote, “To the individual-

ist, the ideal or utopian world is necessarily anarchistic in some basic philosophical sense.” [3]

Buchanan saw the study of anarchy as a worthy enterprise rather than something to be dismissed by assumption. He focused his study of anarchy at the Center for Study of Public Choice in the early 1970s after the arrival of his colleague, Winston Bush. Buchanan describes the importance of those years:

Winston Bush galvanized our interests in the theory of anarchy, an organizational alternative that had never seriously been analyzed. What were the descriptive features of Hobbesian anarchy? Could something like an anarchistic equilibrium be defined? Bush was instrumental in organizing a series of weekly workshops in 1972 during which each participant in turn presented papers on differing aspects of the theory of anarchy. As revised, these papers were published in *Explorations in the Theory of Anarchy*. Those weeks were exciting because never before or since have I participated so fully in a genuinely multiparty ongoing research effort, one that we knew to be relevant in some ultimate sense . . . For me this brief period of research activity was important because it gave me a new focus on my whole enterprise. (1992: 116)

After contributing to the volumes *Explorations in the Theory of Anarchy* and *Further Explorations in the Theory of Anarchy* (Tullock 1972, 1974), [4] Buchanan wrote in *The Limits of Liberty* (1975), “‘Ordered anarchy’ remains the objective, but ‘ordered’ by whom? Neither the state nor the savage is noble, and this reality must be squarely faced.” In these early works, Buchanan focused on the insecurity of property rights under anarchy and analyzed why people would want to establish government.

Yet in some of his later writings Buchanan questioned some of his original work. In 2004 Buchanan wrote, “As I now reflect on that burst of interest in the theory of anarchy, I now realize that we were perhaps too influenced by the Bush-Tullock presumption to the effect that the behavioral hypotheses used were necessarily empirically grounded” (2004, 268). The Hobbesian beliefs about human behavior might not always hold. Buchanan wrote that their pessimistic assumptions “led us to neglect at that time any effort to work out just what an ordered anarchy would look like. What would be the results if persons should behave so as to internalize all of the relevant externalities in their dealings among themselves?” Buchanan did not end up

answering these questions, but raising questions about his earlier conclusions show the signs of a true philosophical anarchist.

In what I consider one of his most underappreciated works, Buchanan, along with Winston Bush, seemed to question the viability of the entire constitutional enterprise. Buchanan and Bush (1974) published "Political Constraints on Contractual Redistribution" in the *American Economic Review*, but it has less than 1/100 of the citations of *The Limits of Liberty*. Here they make a simple but important point: Even if there is an agreement about a particular set of property rights in period one, people will use the government to rearrange those property rights in subsequent periods. Those less satisfied with any particular outcome will have an incentive to have the previously agreed-on rules jettisoned or changed for their personal gain. Property rights may be insecure under anarchy, but so too will they be insecure after the establishment of government. If one takes the insight seriously, to what extent is establishing government an improvement?

In 1986 Buchanan had a very positive review of Anthony de Jasay's *The State* (1985), which Buchanan describes as accepting "the analysis of the anarcho-capitalists, like Rothbard." Ultimately, Buchanan says he retains "a residual faith in some positive potential" for the state, but Buchanan admits, "If we are to be honest in our evaluation, the observed outreaches of modern politics seem to fit Jasay's model of the churning adversary state." Not only was Buchanan open to the idea that government does not exist to protect people, he was also open to the idea that order comes independently from government. Buchanan (1994, 132) wrote, "Much of human activity takes place in a setting described as 'ordered anarchy,' by which I refer to the simultaneous presence of apparent order and absence of formal laws governing behavior. How is such ordered anarchy possible? . . . The answer suggested by my argument here is that interacting parties choose to constrain their separate choices in such fashion as to create non-intersecting and therefore nonconflictual outcomes." Buchanan pointed to factors including morality in constraining a Hobbesian war of all against all.

Buchanan never was a traditional anarchist, but at many points he came close, and many scholars influenced by Buchanan have explored such a position in

more depth (Boettke 2005). [5] Modern economists have used Public Choice to analyze the creation of government law enforcement as a way of generating revenue for the state (Benson 1994, Currott and Stringham 2010) [6] and analyzed ways in which private clubs enforce rules and regulations that are usually considered to be the domain of the state (Anderson and Hill 2004; Boettke 2012a,b; Leeson, 2011; Powell and Stringham 2009; Stringham 2006). [7] To these Public Choice economists the government is not created to fill a void that existed without government. One can analyze all of these questions from a purely positive point of view, but the work can have help influence our normative conclusions. Buchanan's spirit of inquiry about the viability of anarchy should be viewed as a model for others to follow. One need not simply assume that order under anarchy is impossible or that the state will automatically solve problems. Instead, we can view these as open questions to be investigated in future explorations in the economics of anarchy. [8]

Endnotes

[1] See Stringham, "Overlapping Jurisdictions" (2006) <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1324407>

[2] See Stringham, "Anarchy and the law" (no date) <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1768172>

[3] Buchanan, *The Limits of Liberty*, chap. 1 The Commencement" <http://oll.libertyfund.org/titles/1827#Buchanan_0102-07_44>.

[4] See Stringham, "Introduction" to *Anarchy, state, and public choice* (2005) <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2228946>

[5] See Boettke, "Anarchism as a Progressive Research Program in Political Economy" (2005) <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1538490>

[6] See Currott and Stringham (no date) "The rise of government law enforcement in England." <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1711665>

[7] See Stringham (2006) "Overlapping Jurisdictions" <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1674470>

[8] See Boettke (2012a) "Anarchism and Austrian Economics" <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1871727>

3. THE CONVERSATION

1. Response by Geoffrey Brennan [March 18, 2013]

The responses to what Steve Horwitz aptly refers to as my “once-over-lightly” treatment of Buchanan themes raise a number of very interesting issues. On many aspects of those commentaries, no response is really necessary. They either amplify pieces of the Buchanan intellectual scheme that I dealt with too cursorily or re-express them in more elegant terms. There are, however, at least three themes that I think are worth an additional comment or two at this stage.

One, which crops up in several of the contributions (Boettke, Horwitz, and Stringham in particular), relates to the status of anarchy – and more specifically the possibility of “rules without government.” I think the commentators are right that Buchanan is psychologically ambivalent about such possibilities – but I also think the textual evidence on this matter is pretty clear. In particular:

1. In the *Limits of Liberty*, Buchanan expressly refers to the attractions of anarchy as a snare and delusion. He does not deny the attractiveness to classical liberals of ordered anarchy as an abstract idea – but he is clear that it ought to be rejected as a practical possibility. Again, in his introduction to *Freedom in Constitutional Contract*, he insists that freedom is possible “only in constitutional contract.”

2. Buchanan is openly skeptical about “evolved norms” as a source of grounding appropriate “rules of the game.” He thought that the evolutionary approach made for an excessive quietism in the face of existing practices. The contractarianism he endorses requires, as he saw it, explicit popular consent of agents to the rules under which they are to be governed. Perhaps in this he was excessively influenced by the American experience – which he saw as a paradigmatic example of a people constructing the rules of the sociopolitical game.

In making this observation, I do not want myself to take a stand. The work of Elinor Ostrom on commons management and of Peter Leeson on the pirates’ code seems to suggest that ordered anarchy is possible in some situations – and specifically in those where the

number of agents is not too large. Whether that work is sufficient to dispose entirely of the relevance of the Hobbesian picture is more debatable. Arguably, Buchanan saw his efforts as directed at larger scale institutions like the modern state. And it is important to recall that in that setting he remained committed to changes in rules that would command virtually unanimous support. In that respect, more extreme libertarian proposals seem unpromising.

The second issue is more fine-grained and relates expressly to Viktor Vanberg’s commentary. The issue is the voluntariness of market transactions. I’m not sure whether there is any substantive disagreement between Viktor and me, but it will help to underline my own understanding of the logic of Buchanan’s position if I say a little about it.

Viktor quite rightly observes that “in the case of market transactions,... what ‘voluntary’ means is defined in terms of the rules that constitute the market....” I agree 100 percent. But I think the point cuts deeper than Viktor suggests. Specifically, if he and I are agreed on this, then the remarks Viktor makes earlier about the voluntariness of market transactions seem entirely question-begging.

This is what Viktor says:

Advocates of free-market liberalism are *surely right* in emphasizing that market transactions are distinguished by the fact that they are voluntarily entered into by the parties involved, whose agreement testifies that each expects to gain *thereby conferring legitimacy on the transaction*. [Emphasis added.]

It seems to me that this is disingenuous on two counts. One ambiguity involves the definition of the set of “parties involved.” If this is meant to include only the contracting parties, the claim is true by definition. But there are other parties who are affected by exchanges between A and B – namely, others across the whole trading nexus. This is an issue that became more salient to Buchanan as he worked in later life on increasing returns and the work ethic, out of the first three chapters of Smith’s *Wealth of Nations*.

An example will help. When X purchases from Y the right to use Y’s (patented) invention – say, to produce the motor car – X reduces the value of the human capital of many an ostler and horse-breaker and saddle-maker and blacksmith. These people endure

losses by virtue of the X/Y exchange. This is, I take it, simply a fact. It is a fact that reflects the manifold and complex interdependencies that make up the market order. Of course, these losses are not, under the rules of the typical market game, “harms” or “injuries”; they simply reflect the fact that within a highly interdependent structure, “rights” are entitlements to *inflict* as well as to *avoid* losses. Some losses are called “harms/injuries” and others are not. Which are which is the role of the rights structure to specify.

What we can say is that, in any transaction between X and Y, there are:

- Expected gains to X (Bx);
- Expected gains to Y (By);
- Actual losses endured by third parties (Lc);
- Actual gains accruing to fourth parties, (Bd).

In most cases, and specifically for “private goods,” there is a strong presumption that the aggregate of these gains and losses is positive. Market transactions will in such cases be “efficient.” But this does not make them fully *voluntary*: Any losses endured by the C’s are *involuntary* losses. So, though we can make a defense of market transactions on the basis of their expected *efficiency*, we cannot do so on the basis of their *voluntariness*. Put another way, if voluntariness “confers legitimacy on the transaction,” then we have to define “voluntariness” to exclude the will of any losers – and that seems just plain arbitrary.

Another way of putting the point is to observe that unanimity among all citizens (what Buchanan identifies as the ultimate contractarian test) is not the same as agreement among contracting parties in a market exchange, because in the case of explicit unanimity every affected party has a right of veto, which is not true in the market!

What Buchanan recognized fully, I believe – and what I think Viktor only recognizes in part – is that market transactions can only make claim to full contractarian credentials if those who lose under any market transaction have agreed to the rules of the market game. Viktor emphasizes that markets can operate under a variety of more detailed rules, and hence free-market liberals need a procedure for deciding which among those possible rule-regimes are “truly voluntary.” But it seems clear to me (as I believe it did to Buchanan – at least, the post-Smithian Buchanan of the “work ethic” strand) that the very idea of volun-

tariness that is thought to undergird market transactions is not self-evident. Free-market liberals are *not* “surely right” – indeed they are not right at all! – to claim that market transactions are voluntary for the “parties involved,” unless one is prepared to stipulate that only the contracting parties themselves (and not affected others) have moral standing. And that seems to require a notion of “voluntariness” that is entirely question-begging.

I have taken a lot of space trying to clarify this point, because it seems to me to be one on which many free-market liberals seem to be confused. Buchanan himself was certainly not confused on this point. He clearly thought that markets require a deeper contractarian defense – and it is this defense that the constitutional contract is designed to provide. As I say, I am not sure whether Viktor would disagree. But some of the things he says seem inconsistent with others; and I think this is a matter that demands total clarity.

The final issue is specific to Lomasky’s commentary. And here, I have to confess to some surprise -- surprise both as to Lomasky’s own position and to his attribution of Buchanan’s.

The latter first. Lomasky describes Buchanan as committed to a motivational structure involving “*self-interest narrowly construed*” in both politics and economics. For Buchanan, Lomasky says, “politics without romance” means that *homo politicus* and *homo economicus* are one. My perception of Buchanan’s position here is that it was more nuanced. He was committed to basic motivational symmetry; but he recognized as early as 1954 – and certainly in his paper on “voter choice” with me in 1981 – that the same *motivational* structure could admit different behaviors. He did insist that anyone who claimed any difference between political and market behavior had to provide a justificatory argument. And it would have to be consistent with motivational symmetry. But his commitment to *homo economicus* always struck me as more equivocal than Loren paints it (and for example more equivocal than Gordon Tullock’s or Bob Tollison’s were).

Second, on Loren’s own position, I had taken it that he himself is deeply skeptical about the extrapolation of *homo economicus* to electoral settings. Accepted that political issues (and issues of institutional design) are of less interest to most ordinary mortals than they are to political philosophers (and probably, for that

matter, than they were to Buchanan!). However, I take it that the difference between ideal and non-ideal theory is less a matter of the extent to which theorists of either stripe think political theory is important, and more a matter of how feasibility considerations bite in the analysis. I agree that, in this ideal/non-ideal typology, Buchanan is definitely on the *non-ideal* side of the fence. But it would certainly be a mistake to think that, to be a non-ideal theorist, one would have to embrace predominant self-interest as a political motivation. Or that making such an assumption might help to find an appropriate "middle way"!

2. Viktor Vanberg's reply to Geoffrey Brennan's response [March 19, 2013]

I appreciate very much *and entirely agree* with Geoffrey's response to my comment. He is right in pointing out that my remark on free-market liberalism's emphasis on the voluntariness and legitimacy of market transactions appears to be not perfectly consonant with my claim that "voluntariness" is "defined in terms of the rules that constitute the market." His critique reminds me that I should have been more careful in emphasizing a distinction that I have discussed explicitly in my "Markets and Regulation" paper referenced in my comment. There I argue:

That there is a distinction to be drawn here between sub-constitutional and constitutional agreements is overlooked by authors who, like Rothbard, suggest that, since each and every market exchange is a voluntary transaction, the market order itself can be said to be unanimously approved. As much as the constitutional liberal agrees with the claim that the game of catallaxy provides benefits, and is attractive to all participants, he cannot agree that this claim is proven by the voluntariness of market transactions. The ultimate test for the attractiveness of the market order can only be its attractiveness and voluntary acceptance as a constitutional order.

In regard to the *game of catallaxy* (Hayek) we must distinguish between two issues: the legitimacy of actions and transactions *within* the game and the legitimacy *of* the game. The former derives from the players staying within the rules of the game, the latter from the

players' agreement on the rules. Geoffrey rightly points out that when, in reference to market transactions, I speak of agreement among the "parties involved," this is ambiguous because "there are other parties who are affected by exchanges between A and B," parties that may not at all agree to being harmed by what A and B agree upon. He also rightly points out that "it is the role of the rights structure." i.e., of the rules of the *game of catallaxy*, to distinguish between "harms" that players must tolerate because they result from legitimate, rule-abiding actions and "harms" they are entitled to be protected against because they result from rule-violating actions.

The issue of the legitimacy-conferring capacity of agreement is obviously relevant only for harms to others that result from rule-abiding agreements between A and B. To be sure, players can hardly be expected to joyfully agree to losses inflicted on them by other players' actions, even if these actions remain perfectly within the rules of the game. But fairness requires them to accept such losses when playing a game under mutually agreed-upon rules. It is by their agreement to the rules of the game that individuals agree to accept losses that may result from rule-abiding playing of the game. As Hayek has persistently emphasized, there are indeed good reasons for them to agree to playing the *game of catallaxy* – compared to other feasible games – because they can trust that the "general compensation" it promises will outweigh the losses it will inflict on them. As a side-remark: Free-market liberals would do their cause a good service if they would put more energy in convincing their fellow-citizens why, and under what rules, such "trust" in the market game is justified rather than proclaiming "natural rights" justifications for the market order.

I reckon, Geoffrey and I are in perfect agreement in these matters.

3. Geoffrey Brennan's reply to Viktor Vanberg [March 19, 2013]

I agree that we are agreed. And in that sense, Viktor and I – and more to the point Jim Buchanan – have to insist that markets are *not* totally voluntary institutions in the sense that not all affected parties have the right of veto, and that classical liberals/libertarians have to answer to that challenge. As Viktor remarks in his earlier piece, libertarians might appeal to some form of “natural rights” structure to do this; they might think the proper property rights structure is given by fundamental normative principles. But that is expressly not the case for Buchanan. For him the proper rights structure is to be derived by constitutional contract in which (virtually) all participants exercise a capacity to veto. It is that constitutional right of veto that is the core of the classical liberal commitment in the Buchanan scheme.

4. Loren Lomasky's comment [March 22, 2013]

I was once privy to a conversation between Jim Buchanan and Geoff Brennan in which Jim put forth a characteristically hyperbolic hypothesis. “Jim, that’s not what you really believe!” Geoff corrected and then explained in some detail why that comment didn’t represent the considered Buchanan view. Somewhat sheepishly, Jim concurred. If the principal party himself has a lesser understanding of Buchanan’s real views than Geoff does, who am I to dispute him?

Nonetheless, I believe that those commentators whose interpretations Geoff is correcting have a point – including this commentator. Although Buchanan clearly rejects anarchism for deep programmatic reasons, he shares with the anarchist a profound suspicion of state “solutions” to just about any problem. To put it another way, his inability to make the full leap into anarchism is for him a matter of regret. Similarly, he rejects *homo economicus* as an accurate depiction of people in nonmarket contexts including, of course, the political arena. Nonetheless, he insists for methodological reasons that this is the proper model to bring to Public Choice analysis. (This may be his parallel to

Rawls’s commitment to the rationality of maximin.) Buchanan concedes the Brennan-Lomasky point that in situations where individuals are unable to act decisively to produce desired outcomes, their interest in expressive activity may come to the fore. For him, unlike us, this was regarded as something of a side point, offering only modest analytical gains. We respectfully disagree.

I wouldn’t be surprised if there already is a Ph.D. dissertation in progress that aims to set out a synoptic statement of Jim Buchanan’s expressed views. That’s a worthwhile project. Also worthwhile, however, is thinking about how to harness the potential of Buchanan’s theories even in ways their author may have ignored or even explicitly rejected. That, I believe, is what the Brennan respondents are up to here, including the one concerning whom I am able to speak with some authority.

5. Viktor Vanberg's comment [March 22, 2013]

Geoffrey’s remark on the “constitutional right to veto” as “the core of the classical liberal commitment in the Buchanan scheme” provokes me to add a few qualifying arguments to which, I presume, Geoffrey can subscribe.

To begin with the easier case of constitutional contracts that individuals conclude as private-law subjects when, in a market environment, they form voluntary associations, such as business enterprises or sports clubs: Those who originally form and those who later join the existing association testify by their voluntarily doing so that they agree to its constitution. Anticipating that in a changing world the need for constitutional adjustments may arise, they will have prudential reasons – as they have been elaborated by James Buchanan and Gordon Tullock in *The Calculus of Consent* – to accept provisions in the constitutional contract that allow for changes in particular rules to be made with less-than-unanimous approval by all members. In other words, considering the disadvantages of requiring unanimity as a decision rule even at the constitutional level, there are prudential reasons for them to dispense with a veto-right with regard to partial consti-

tutional reforms. They retain, though, a “veto-right” with regard to the inclusive constitutional contract in the sense that they can exit from the association if a constitutional change they disapprove weighs in their assessment heavy enough so as to outweigh the advantages they can expect from keeping up their membership.

The more difficult case concerns the constitutional contract on which political communities or states are based. A particular feature of these associations is that membership status is typically not acquired by explicit voluntary choice but by being born into the community. That is, for most members we can only take the fact that they maintain their “imposed” membership status in the face of viable exit-options as an indicator of their implicit agreement to the constitutional contract on which the political community in which they live is based. Furthermore, the prudential reasons that require even relatively small private associations to allow for non-unanimous constitutional reforms apply a fortiori to political communities that comprise much larger numbers of members. Citizens-members of such communities do, therefore, not have a veto-right with regard to particular constitutional changes. The “veto-right” they possess is limited to the right to exit from the polity, a right the effectiveness of which obviously depends on the availability of accessible alternatives.

The point I am trying to make is that the veto-right to which Geoffrey refers is, in the sense stated, only a rather qualified right. This fact does, however, not invalidate at all the core tenet of Buchanan’s contractarian constitutionalism, which I see in the insistence on voluntary agreement as the *ultimate legitimizing principle* in social affairs despite the impracticability of unanimity as a *decision rule* in an ongoing collective enterprise. The noted qualifications simply reflect facts of life to which we must adjust our efforts to find institutional arrangements that allow us to realize – to the largest extent possible in the world as it is – the “classical liberal commitment” to the ideal of individual sovereignty, just as we must adjust in our day-to-day activities to the constraints that geography or weather impose on us.

6. Steven Horwitz's comment [March 23, 2013]

I want to chime in briefly on the exchange between Viktor and Geoffrey about the importance of the rules of the game, especially with respect to the “voluntariness” of market interactions and our willingness to accept various market outcomes as legitimate. The distinction that Viktor makes between “harms” that come from the playing of the game of catallaxy *within* the rules (e.g., a loss of income that comes from a shift in market demand and a new pattern of exchanges) versus the harms that come from people *violating* those rules (e.g., private predation or private actors seeking to expand the reach of the state for their own personal gain) is crucially important. It is one that free-market liberals should indeed be more vocal about, particularly in the context of issues such as income inequality. We need to hammer home the idea that play within the rules is positive sum, because it benefits all players in the long run even if it increases measured inequality, while violations of those rules are negative sum, because any change in the distribution of income they create are the result of some gaining at the expense of others.

Of course for decades the modern state has rewritten the rules of the game in ways that invite this sort of negative-sum rent-seeking behavior. Private actors have adapted by, on various margins, shifting their profit-seeking resource expenditures to more vigorously compete in the political arena for the rents available there – or to protect themselves against such behavior by others. As more and more firms have felt compelled to open Washington offices to rent-seek and/or rent-protect, the amount of negative-sum behavior has expanded. As problematic as this all is, the degree to which governments have used pure discretion to pick winners and alter the outcome of the game has still been reasonably modest. Rather, the entanglement of rent- and profit-seeking has produced a set of rules that has led to suboptimal games being played.

I wonder, though, whether the last few years haven’t changed this in a significant way. Rather than just setting up rules that make for bad games, the modern state seems more like referees in an American football game who use their discretion to decide what yard line the ball should be placed on and what sorts of

plays are legitimate. The bailouts and subsidies of the last half-decade are a perfect example of this sort of behavior by the modern state.

We might distinguish three cases corresponding to this evolution.

1) The liberal ideal: Here the state is (at most) a referee, and all would agree on the rules of the game, legitimating all outcomes as voluntary in the way Viktor and Geoffrey have discussed.

2) The rent-seeking society: The state remains (mostly) a referee but the rules are such that not all would agree to them because of the negative-sum outcomes they produce. In this world, not all outcomes are voluntary.

3) The discretionary state: Here we have not only a set of *rules* that people do not agree on, but we also have a “referee” who sees its role as more intentionally affecting the outcome of the game by using its discretion to help or harm specific players far more systematically than in the rent-seeking society. Not only are the rules themselves unable to command assent, but the arbitrariness of the enforcement of even those rules that would command assent breaks down any sense that outcomes are legitimate.

Perhaps much of the frustration of groups from Occupy Wall Street to the Tea Party over the last few years reflects the movement toward the third scenario. Confidence in both the fairness of the rules *and their enforcement* has been shattered to such a degree that perhaps few people feel the outcomes in this very entangled political economy are legitimate.

In a world that seems less and less governed by rules, Buchanan’s work couldn’t be more relevant. If indeed western countries have moved to a stage where the state’s power has become increasingly discretionary and has thereby systematically destroyed any remaining belief that economic outcomes are voluntary and therefore legitimate, then not only have we retrogressed to a premodern understanding of the state, but all bets are off as to what happens next. When the referee, and not just the rules, is seen as illegitimate, we are approaching a constitutional crisis (in Buchanan’s sense of constitutional), the outcome of which might not be pretty.

7. Viktor Vanberg's reply to Steven Horwitz [March 25, 2013]

Steven’s distinction between the rent-seeking state and the discretionary state is useful. It highlights the difference between discriminatory legislation and arbitrary enforcement of rules as two ways in which governments can obstruct the very principles on which a society of free and equal people – forming a democratic polity as a “cooperative venture for mutual advantage” (Rawls) – ought to be based. There is, though, a commonality between the two vices. Both are equally inimical to what Hayek emphasized as the “essence of the liberal position”: “the denial of all privilege, if privilege is understood in its proper and original meaning of the state granting and protecting rights to some which are not available on equal terms to others.” Just like any privileged treatment that legislatures grant to rent-seeking interest groups, so every discretionary intervention into the “game of catallaxy” necessarily means that the state bestows privileges on some players at the expense of others.

When Steven speaks of such discretionary and discriminatory state activity as retrogression “to a premodern understanding of the state,” he restates in different terms what the founders of the *ordo-liberal* Freiburg School of Law and Economics (Vanberg, *The Constitution of Markets*, chapter 3) have described as “refeudalization.” They applied this label to the discretionary state whose privilege-granting interventions into the economic process represent in essence a movement back to the kind of discriminatory order of privileges that had been characteristic of the feudal society. The interventionist state, so the Freiburg *ordo-liberals* argued, is only seemingly all-powerful, but is actually a rather weak state. It is its very “power” to grant privileges that makes it inevitably the target of special-interest demands, turning it into a “playball of interest-group pressures” and weakening its capacity to perform its proper task of serving the common interests of the citizenry.

8. Geoffrey Brennan's comment on Horwitz [March 25, 2013]

A quick word on Steve Horwitz's latest. Well, two words, actually.

That markets are positive-sum over the long haul for most goods for most persons is a claim that most economists would agree with. Some debate will go on at the margin about how long a haul is needed and whether we should be concerned about the (small number of) long-term losers and about the range of goods – but these are all judgments about institutional *efficiency* not institutional *voluntariness*. Buchanan thinks these are connected because virtually all individuals will opt at the constitutional level for an extensive role for markets – but it is only to the extent that they do so opt that the *voluntariness requirement* is satisfied. Maybe this is pedantic – but note that if in fact people don't so opt, markets are *not* voluntary institutions in Buchanan's sense.

As to “playing by the rules,” it is a fact -- unfortunate for libertarians – that we in the United States have a set of rules that actually permit much more extensive government activity than most libertarians would prefer. Buchanan shared the view that other, more restrictive rules would be better – but the ultimate test of betterness for Buchanan in this is the capacity to persuade virtually everyone to change the rules of the political game in the recommended way! If you can't manage that, then the prevailing rules are shown to be “optimal”! As things now stand, libertarianism seems to be a minority view. And in my experience most of them are so on the basis of some kind of natural-rights notions. I don't think Buchanan's constitutional contractarianism can be mobilized in support of any such “natural rights” arguments: Constitutional contracts are by constitutional *exchange*, which means being prepared to give up something you value. Rights foundationalists do not usually seem to me prepared to give much up!

9. Geoffrey Brennan's comment on Viktor Vanberg [March 25, 2013]

Hmm. I'm not sure I do subscribe to Viktor's latest gloss – partly because I am not completely sure what's at stake.

For one thing, I reckon that agreements made between a number of individuals to form a club from which other individuals are explicitly excluded might turn out to violate constitutional agreements, depending on what contractors behind the constitutional veil of ignorance have to say about such cases – and if those agreements say nothing, how in-period politics following the agreed procedures happens to deal with them. For another, whether capacity to exit is a sufficient protection in the case of all contracts (multi-person or not) is not self-evident. I do not deny that we might have anxieties about contracts that deny exit rights once the contract is made – but some of the cases involved in this category seem to me to be “hard ones.”

The other aspect of Viktor's comment that worries me is what I take to be a suggestion that, since virtual unanimity is more or less infeasible at the constitutional level, we can't take Buchanan's constitutionalism too seriously. That is, treating constitutional agreement as a “purely conceptual ideal” seems to me to invite giving Buchanan's scheme a passing nod of approval and then getting on with the business of day-to-day politics. I'm not sure whether I myself fully endorse Buchanan's constitutional contractarianism – but I would have thought that Jim wanted it to have more teeth than is suggested by “purely conceptual ideal”! Perhaps Viktor and I are not in such close agreement after all.

10. Geoffrey Brennan's comment on Loren Lomasky [March 25, 2013]

Tempting as it is to play the game – “This is what Buchanan should have said” – it is a dubious game once Jim isn’t around any longer to speak for himself. I think Loren is right to say that Jim had a kind of love/hate relationship with anarchy – and Buchanan says as much in the early pages of *Limits to Liberty*. But having acknowledged his “love” in those pages, Buchanan goes on *immediately* in those same pages to repudiate it as a hopeless love. In the “Gospel according to Lomasky,” anarchy may stand high as an exemplar of noncoercion – but to enroll Buchanan as a fellow disciple either requires massive interpretative license or a serious challenge to Buchanan’s coherence.

I think it’s pretty clear that Buchanan bought Hobbes’s interpretation of what anarchy would be like – and Jim did not like that kind of world! He had tried it at UCLA and retreated to the Appalachian foothills to get away from it!

11. Peter Boettke's Comment on Buchanan et al. [March 26, 2013]

James Buchanan considered himself a “philosophical anarchist,” and this was so because of his normative affinity with a philosophy of complete autonomy of the individual. Theoretically, Buchanan believed in the right of session down to the level of the individual. But, practically, he demurred, our social existence requires collective action.

Thus Buchanan lumped all anarchist theories, including modern anarchocapitalist theories associated with Murray Rothbard and David Friedman, with other “romantic” political theories. And, historically contemplated, clearly Buchanan was right in this judgment. Anarchistic political thought from Godwin to Bakunin was romantic in precisely the sense Buchanan intended -- requiring a perfecting transformation of humanity for the social system to work.

Rothbard was actually more vulnerable to this criticism, basing his political theory on natural rights and pure deduction from the nonaggression axiom.

His is a theory of anarchism without much emphasis on “mechanism” and “institutional design,” but one that emphasized the moral “rightness” of a social system so organized. Rothbard, like Buchanan, is a “philosophical anarchist,” but unlike Buchanan he doesn’t see the practical limitations, or perhaps more accurately, he makes an argument that even if the practical arguments against it were right, the moral principles far outweigh them. Liberty damn the consequences. For Rothbard, however, it was a happy coincidence that, as a matter of logic and fact, a society based on the consistent application of individual rights to private property resulted in the most efficient economic society humanly possible. But make no mistake, Rothbard’s anarchism is a “moral theory” of anarchism.

Friedman's argument represents a different tradition in libertarian thought. His is an “economic theory” of anarchism, and one that at least suggests some of the “mechanisms” and “institutional designs” that might be in operation and how they may in fact work in theory. Nevertheless, Buchanan lumped Friedman and Rothbard together and then lumped them in with the Godwin to Bakunin romantic political theorists. However attractive such theories are philosophically, they must be rejected due to need for hard analytics to access alternative institutional arrangements in diverse human societies.

Thus Buchanan explored the escape through a constitutional contract from the Hobbesian jungle that practical anarchy would condemn us to. Once the escape has been achieved, Buchanan's attention turns to how we can avoid the collapse into Leviathan. Through successful collective action at the constitutional level a state is constituted, but now comes the task of institutional design such that the protective and productive state are operating effectively without unleashing the negative force of the redistributive state. If the redistributive state evolves unchecked, we devolve into the churning state -- where interest groups are pitted against each other in a war of all against all in zero-sum games. Buchanan would like to see a world of nonzero-sum games -- only positive-sum games.

I have gone into this background because it is my assessment that Buchanan's normative caricature of anarchism results in a blind spot in Virginia Political

Economy. Since the financial crisis of 2008, Buchanan pinpointed the problem as one of an overly optimistic faith on the part of modern Chicago economist that market behavior can check itself without a proper framework of rules to discipline the behavior of market participants. There is much to be said for Buchanan's position, and we will provide a much better analysis of the financial crisis if we move the analysis to the level of rules and the institutional framework. Economic analysis is ultimately about exchange and the institutions within which exchange takes place. As Buchanan wrote in *The Demand and Supply of Public Goods*: "Appropriately thorough analysis should include an examination of the institutional structure itself in a predictive explanatory sense. The economist should not be content with postulating models and then working within such models. *His task includes the derivation of the institutional order itself from the set of elementary behavioral hypotheses with which he commences.* In this manner, genuine institutional economics becomes a significant and an important part of fundamental economic theory." [1]

Thus an appropriately thorough institutional economics would not just stress the necessity of the framework, but explain both the origins of the framework and the mechanisms in operation to sustain the framework. Here I think the pigeonholing of "anarchism" into the normative camp misses the critical insights that can be learned for our constitutional analysis from the empirical project of the positive political economy of anarchism. First, we have a wealth of information about the institutional transformations that took place in medieval societies as we moved from personal exchange to impersonal exchange. (see, e.g., the work of Avner Greif [2006]) [2] This work -- which explores institutional prerequisites for the birth of modern economic growth -- emphasizes self-enforcement/self-regulation, evolutionary experimentation with a diversity of rules, and some mix between top-down and bottom-up rule design and establishment. The state is no doubt a major player, but the state is not a single unified entity either. This point actually had a significant intellectual influence on Buchanan's work in public finance, as evidenced not only in his 1949 "A Pure Theory of Government Finance" but in subsequent works that reflect the influence of the Italian public-finance theorists on his work after his Fulbright year (1955-56). Public economics must proceed, according to Buchanan, without the delusion of state

omniscience and benevolence. "Real rather than idealized politics, with real persons as actors -- these were the building blocks in the Italian constructions, whether those of the cooperative-democratic state or the ruling class-monopoly state." [3]

A critical point of emphasis in Buchanan's work is that public finance implies a political theory. Most public economists engage in their work with only an implicit recognition of the underlying political theory. Buchanan wants his fellow public economists to make that recognition explicit. His political theory was a version of contractarianism. The leap out of the Hobbesian jungle was accomplished through a social contract. In his stylized treatment, Buchanan is forced to turn a blind eye to the myriad ways in which individuals and groups can turn situations of conflict into opportunities for social cooperation. [4] Instead, he produces a stylized analytical "history" of freedom in constitutional contract and the structural organization of government that in many ways over-theorizes the social contract and under-"historizes" the way in which rules are subjected to trial-and-error as conflict-resolving mechanisms within and between groups.

Buchanan does this for an important reason -- he distinguishes between the games we play within a given set of rules and the choices we make over the rules of the game. He has a great analytical "faith" that within the appropriate set of rules the order that will emerge within the process of its emergence will in fact be a socially desirable one. Yes, Virginia, the market process exhibits a strong tendency toward 1) realizing the mutual gains from trade, 2) inducing the innovations that will result in least-cost technologies being utilized in production, and 3) responding to the diverse demands of the most willing consumers by providing them with the goods and services they desire when they desire them. In short, within the right institutional framework, the economic forces at work tend to continuously agitate action until a point of exchange efficiency, production efficiency, and product-mix efficiency emerge. To deny this is to deny the fundamental logic of the economic way of thinking. While not denying this strong tendency, and in fact relying on it, Buchanan has put the emphasis on the activity of the market that brings about that tendency -- the dynamic competition and entrepreneurial adjustments, the learning and adaptation to changing circumstances, the very *becoming* of the competitive market process. He focused his at-

tention on the reconciliation process among diverse market participants, the working out of their differences through exchange. Consider closely the argument Buchanan provides in "What Should Economists Do?" (1964) or much later in "The Market as a Creative Process" (2000 [1991] with Viktor Vanberg).[5]

The market has no grand teleology toward which it is heading, though its participants certainly do. The order of the market is indeed an emergent order. Yet the market is not chaotic, but possesses the strong tendency toward realizing the gains from trade and innovation, and producing social cooperation under the division of labor.

The fundamental question that must be raised is one of application of the rules-selection process to the choice among frameworks of rules themselves. I argued that first, Buchanan failed to incorporate the scientific knowledge that we have learned from the historical evolution of rule regimes from medieval times, and the emergence of capitalism. Of course, for the operation to take place we must recognize that there is some level at which meta-rules are in operation. For Europe, for example, it has been hypothesized that the lack of a unified empire like the ones in Russia or China resulted in a healthy competition between the decentralized states, enabling the birth of modern capitalism. Russia and China no doubt had political competition going on, but the meta-rule situation of a unified empire meant that the competition took a different form from the trial-and-error policies of economic freedom. But Buchanan not only failed to incorporate this historical knowledge into his account, a second potential shortcoming is that he missed the opportunity to apply his insights to the empirical puzzle of failed and weak states, and transitioning economies. It is precisely situations where the rules of the games are up for grabs that the task of the political economist must include "*the derivation of the institutional order itself from the set of elementary behavioral hypotheses.*"

By divorcing the constitutional project from the empirical puzzle, Buchanan is able to develop a rational-choice model of rule-making with choosers who are devoid of their humanity not through the typical modeling exercise of omniscience, but through an atypical move of depriving actors of concrete incentives through the veil of uncertainty. What if, instead, we must examine constitution-making in a world of diverse populations (heterogeneous agents), in large-

group settings, and perhaps in a situation defined by recent and deep conflicts? This is the world that political economists have been addressing in the postsocialist context, in the postwar context, in the African, Latin American, and Middle East context.

Conceptually, constitution-making is an exercise of choice over the rules by which we will play the social game. Theoretically, it makes sense to think of justness as fairness, and thus we strive for rules that permit neither dominion nor discrimination. Normatively, as Hamilton raised it in *Federalist #1*, we prefer to have our constitutions to be products of reflection and choice, rather than accident and force.

Anarchy can be read as synonymous with chaos, or absence of law, in which case its operation depends on either the transformation of humanity or the normative embrace of nasty, brutish and short existence. This is how Buchanan read those who sought to discuss endogenous rule-formation. But the "economics of anarchy" literature can proceed along a different line than which either Buchanan and Bush took -- or Friedman, or even more recent work by Hirschleifer or Dixit.[6] Research on the positive political economy of anarchism simply means the theoretical and empirical discussion of the endogenous formation of rules of the game in the absence of monopoly provider of the rules. To assume that we can have a monopoly provider that has the capacity to exogenously impose rules on the population that reflect the consensus of the governed is as heroic an assumption as any that traditional public-finance theory operates under.

So yes, James Buchanan was not an anarchist and in fact was highly critical of the libertarian anarchist with whom he intellectually engaged. He extended those criticisms to Hayekian evolutionism in general. There simply is, in his analysis, no processes of selection over the rules within the evolutionary process that would ensure the choice of good rules and the weeding out of bad ones. But he never really engaged the strongest arguments against his position in this regard, as he was content to dismiss the moral theory of anarchism as possessing a certain philosophical desirability but practical shortcomings. However, his own work, e.g., *Limits of Liberty* (1975), while distancing him from the radical libertarianism of the Rothbard, David Friedman, and even Nozick variety, nevertheless set the analytical groundwork for later work in "analytical

anarchism.” It is this work, which provides the theoretical puzzle for collective action, that forms the basis for the “positive political economy of anarchism” as an empirical project in modern political economy. But by remaining blind to this literature and the possibilities it has to offer, constitutional political economists are missing out on the greatest set of “natural experiments” of the ideas and concepts they work with. As we move onward and upward with the Buchanan project, it is my opinion that work on the endogenous formation of the rules of the game among large, diverse, and often divided populations must take center stage. “Anarchy,” in other words, cannot be dismissed out of hand as a relic of romantic political philosophy, but instead must be embraced as the empirical reality that has formed the basis of some of the most pressing issues in comparative political economy over the past 30 years in non-western societies.

The western democratic states have their own sets of issues that must be confronted head-on by the constitutional political economist as well. Buchanan’s profound work should guide us in both paths, but he spoke more directly to the questions that confront the western democratic states. However, Buchananesque work might yield the highest returns when applied to the areas of transitioning, developing, and failed and weak states, where the basic framework of rules of the game are either ill-defined or poorly enforced, and thus are in need of our analytical attention if we are to address the fundamental problems that plague these societies and the efforts to improve their economic and political well-being.

Endnotes

[1] Buchanan 1999[1968], 5, emphasis added). <<http://oll.libertyfund.org/titles/1067>>.

[2] Avner Greif [2006], *Institutions and the Path to the Modern Economy*.

[3] Buchanan 1999[1986], 17). In vol. 1 of *The Collected Works of James M. Buchanan*, pp. 119-32. [Not available online.]

[4] Consider, for example, the important passage in *The Calculus of Consent* (1999 [1962], 81) where Buchanan and Tullock explicitly state: “Therefore, our

analysis of the constitution-making process has little relevance for a society that is characterized by a sharp cleavage of the population into distinguishable social classes or separate racial, religious, or ethnic groupings sufficient to encourage the formation of predictable political coalitions and in which one of these coalitions has a clearly advantageous position at the constitutional stage.” <http://oll.libertyfund.org/titles/1063#Buchanan_0102-03_213>. But as I will argue, it is precisely this sort of environment that is most relevant for modern political economy to grapple with, and not the stylized analytical exercise of producing a constitutional-level agreement from behind a veil of uncertainty -- though I will argue that Buchanan and Tullock are underselling the contribution that they have to offer to the exercise of constitution-making from the bottom up and in a conflict prone world.

[5] Buchanan, "What Should Economists Do?" (1964) and (with Viktor Vanberg) "The Market as a Creative Process" (1991).

[6] Hirshleifer, Jack, *The Dark Side of the Force: Economic Foundations of Conflict Theory*, (2001) and Dixit, Avinash, *Lawlessness and Economics: Alternative Modes of Governance* (2004).

12. Peter Boettke’s second comment on Brennan et al. [March 26, 2013]

Geoff (and Viktor) correctly argue (obviously because they are two of the closest thinkers to Buchanan) that Buchanan’s ultimate welfare test was agreement. In fact, in Buchanan’s rightly famous 1959 paper, “Positive Economics, Welfare Economics, and Political Economy,” he negotiates the passion for reform that entices folks to study economics with the strictures of positive analysis via the concept of agreement. The political economist qua reformer proposes his changes as hypotheses subject to refutation through the process of obtaining agreement from other political decision-makers. If the reforms fail to generate a consensus, then they fail.

Buchanan’s political economy demands that the analysis must begin with the “here and now” and not imagine some start-state that could be easily perfected.

Since we begin with the here and now, and then propose changes that must meet with agreement or they are rejected, the Buchanan-style political economy reformer must be ready to follow the compensation principle through to its logical conclusion if Pareto improving-policies are to be instituted.

What if we find ourselves, as we do in our current world, where the status quo is biased in the favor of one group, or group of groups, and the proposed reforms are designed to upset that status quo? In Buchanan's framework, and here I think he is surely correct, we must propose reforms treating that status quo as given and any proposal must involve compensation to those who are supposed to voluntarily give up their privileged position. In economic terms, we must be willing to provide the present value of the future income stream they expect from the privileged position they are to abandon, and we must be able to credibly commit to honoring that payment if we hope to get reforms off the ground. Failure to either propose the compensation package or get the credible commitment will block reforms.

This is the reformers dilemma, and Buchanan gave us the analytical tools to think clearly about reforming the rent-seeking society. But this analysis is largely within an existing set of meta-rules about how society is organized in political life. We are still at the rule level of analysis, so we are not engaged in public policy as conventionally understood, but we also aren't at the highest level of constitution-making either. Part of the problem is that our current situation emerged because at the highest level of constitution-making mistakes were made in the design principles. If the design principles were right, then the rent-seeking state would not have emerged in the ordinary play of politics. Remember Buchanan is striving for a political order that exhibits neither dominion nor discrimination.

In *The Calculus of Consent* (1962), Buchanan and Tullock explained how super-majority voting rules would bind political action from producing significant externalities in collective action. They were often criticized by intellectual opponents for this deviation from simple majority rule. In *Politics by Principle, Not Interest* (1998), Buchanan and Congleton run a different intellectual argument to address political externalities. They permit simple majority voting to determine poli-

cy, but they restrict what can be voted on. Only policies that pass the "generality norm" can be subject to voting; all policies that benefit one party or small group of interested parties at the expense of others are eliminated from consideration. The arguments in *The Calculus* and *Politics by Principle* would restrain our expression of political preferences, but do so by making sure to minimize the opportunity that collective choices have to impose significant externalities on others.

So Buchanan does rely on agreement, and in fact, prefers unanimity as the norm, but as his famous deviation from unanimity to "conceptual unanimity" (which Leland Yeager loved to famously say meant "NOT unanimity") demonstrates, he didn't let his own logic ensnare him in intellectual traps. This is how his endorsement of the "relatively absolute absolutes" gives him the wiggle room that perhaps we are not recognizing in this conversation.

Buchanan's endorsement of the status quo is an analytical endorsement; a positive political economy position with absolutely no normative weight is attributed to the status quo. Thus in my reading no normative weight is given to agreements produced in light of proposed reforms. If he did provide normative weight to those agreements, then why would he wish to restrict decision-making through super-majorities or a generality norm. Obviously, the opportunity for collective action to produce significant externalities must be prevented. Buchanan seeks to find ways to institutionally constrain our decision processes.

4. ADDITIONAL READING

Online Resources

The Collected Works of James M. Buchanan, Foreword by Geoffrey Brennan, Hartmut Kliemt, and Robert D. Tollison, 20 vols. (Indianapolis: Liberty Fund, 1999-2002). The following 9 volumes are available online: <<http://oll.libertyfund.org/titles/280>>.

- Vol. 2. (Public Principles of Public Debt: A Defense and Restatement <<http://oll.libertyfund.org/titles/279>>
- Vol. 3. The Calculus of Consent: Logical Foundations of Constitutional Democracy <<http://oll.libertyfund.org/titles/1063>>
- Vol. 4. Public Finance in Democratic Process: Fiscal Institutions and Individual Choice <<http://oll.libertyfund.org/titles/1073>>
- Vol. 5. The Demand and Supply of Public Goods <<http://oll.libertyfund.org/titles/1067>>
- Vol. 6 Cost and Choice: An Inquiry in Economic Theory <<http://oll.libertyfund.org/titles/1068>>
- vol. 7 The Limits of Liberty: Between Anarchy and Leviathan) <<http://oll.libertyfund.org/titles/1827>>
- vol. 8 Democracy in Deficit: The Political Legacy of Lord Keynes <<http://oll.libertyfund.org/titles/1097>>
- Vol. 9 The Power to Tax: Analytical Foundations of a Fiscal Constitution <<http://oll.libertyfund.org/titles/2114>>
- Vol. 10 The Reason of Rules: Constitutional Political Economy <<http://oll.libertyfund.org/titles/1826>>

The Intellectual Portrait Series: A Conversation with James M. Buchanan (2001)

- Part 1 <<http://oll.libertyfund.org/titles/1030>>
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Recommended Reading on Buchanan and his Thought

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3. RODERICK LONG, “GUSTAVE DE MOLINARI’S LEGACY FOR LIBERTY” (MAY, 2013)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty website during the month of May, 2013. The online version of the discussion can be found at <http://oll.libertyfund.org/pages/roderick-long-gustave-de-molinari-s-legacy-for-liberty-may-2013> and ebook versions at [/titles/2519](http://oll.libertyfund.org/titles/2519).

Summary

This discussion had its beginnings in a Liberty Fund conference on Molinari which was held in late 2012, the centennial year of his death. The discussants here were also at that conference and showed considerable interest in continuing that conversation online. Some of the topics which were raised at the conference were the following: Molinari between conservatism and socialism, eminent domain and the rights of labor, the competitive provision of security, religion and ethics, the evanescence of war, and the rise of autonomous communities. In his Lead Essay Roderick Long assesses Molinari’s legacy, giving him a “hit” for his work on the competitive provision of security, his proposal for a system of labor exchanges, and his opposition to war and empire; and a “miss” for the weakness of the moral foundation of his philosophy, his hedonistic assumptions about human psychology, the historical inadequacy of his theory of political and economic evolution, and his theory of “tutelage” for those groups he believed were not yet ready for liberty. Long concludes that “for all his shortcomings, Molinari remains not only an interesting historical thinker, but also a vital lodestar for the liberty movement today.”

The Debate

The online discussion consists of the following parts:

1. Lead Essay

Roderick T. Long, “Gustave de Molinari’s Legacy for Liberty” [Posted: May 1, 2013]

2. Responses and Critiques

1. Response by Gary Chartier: “If Not Labor Exchanges, Then What?” [Posted: May 6, 2013]
2. Response by David D. Friedman: “Comment on Roderick T. Long on Gustave de Molinari”
3. Response by David M. Hart: “Historical Reflections on Molinari’s Legacy”
4. Response by Matt Zwolinski: “Two Cheers for Pessimism”

3. The Conversation

1. David D. Friedman’s Comment: “A Problem for Radicals” [Posted: 14 May]
2. David D. Friedman’s Response to Gary Chartier: “Wishful Thinking” [Posted: 14 May]
3. Gary Chartier’s reply to David Friedman [Posted: 14 May]
4. David M. Hart’s Comment on Gary Chartier [Posted: 14 May]
5. David D. Friedman’s Comment on Matt Zwolinski: “Anarchy and Violence” [Posted: 16 May]
6. Roderick T. Long’s Reply to Matt Zwolinski: “Molinari, Rationalism, and Anarchy” [Posted: 16 May]
7. David M. Hart’s Comment on Matt Zwolinski: “On Molinari and Spencer” [Posted: 16 May]
8. David M. Hart’s Comments on David Friedman and Historical Examples [Posted: 20 May]
9. Matt Zwolinski on “Anarchist Theory, Examples, and Counterexamples” [Posted: 20 May]
10. Roderick T. Long on “Anarchy Here and Now” [Posted: 20 May]
11. David M. Hart on Zwolinski “On Hayek’s Notion of True and False Individualism” [Posted: 24 May]
12. Roderick T. Long “The Gallic Menace” [Posted: 24 May]

13. Matt Zwolinski on "Anarchism and Rationalism" [Posted: 24 May]
14. Roderick T. Long on "Molinari, Socialist Anarchism, and the Dissolution of the State" [Posted 28 May]
15. Roderick T. Long on "Molinari's Influence" [Posted 28 May]
16. David M. Hart Reply to Matt Zwolinski "On Molinari, Hayek, and Rationalism" [Posted: 28 May]
17. Matt Zwolinski, "Why Aren't More Anarchist Societies Market Anarchist Societies?" [Posted: 29 May]
18. Roderick T. Long on "Inflationary Rationalism" [Posted: 28 May]
19. David Friedman, "Market Anarchy in the Real World" [Posted: 29 May]
20. David Hart, "A Question for My Colleagues: Who Wrote the First One-volume Synthesis of Classical Liberal Thought?" [Posted: 29 May]
21. David M. Hart, "Molinari in His Final Years: Cranky Old Man or Realist?" [Posted: 30 May]
22. Gary Chartier, "On the Absence of Anarchy" [Posted: 31 May]
23. David M. Hart, "Molinari, Soirées, and Arguing about Liberty" [Posted: 31 May]
24. Roderick T. Long, "Ultima Verba" [Posted: 31 May]

About the Authors

Roderick T. Long is Professor of Philosophy at Auburn University, President of the Molinari Institute and Molinari Society, and a Senior Scholar of the Ludwig von Mises Institute. He received his philosophical training at Harvard (A.B. 1985) and Cornell (Ph.D. 1992) and has taught at the University of North Carolina at Chapel Hill and the University of Michigan. Among his books are, *Reason and Value: Aristotle versus Rand* (2000) and *Wittgenstein, Austrian Economics, and the Logic of Action* (forthcoming from Routledge); he is the editor of *The Industrial Radical*, co-editor of the *Journal of Ayn Rand Studies*, and *Anarchism/Minarchism: Is a Government Part of a Free Country?*. Roderick describes himself as an Aristotelean/Wittgensteinian in philosophy and a left-libertarian market anarchist in social theory. He blogs at Austro-Athenian Empire <[\[blog.com/\]\(http://blog.com/\)> and Bleeding Heart Libertarians <<http://bleedingheartlibertarians.com/>> amongst others.](http://aae-</p>
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Gary Chartier is professor of law and business ethics and associate dean of the Tom and Vi Zapara School of Business at La Sierra University in Riverside, California. Among other works, he is the author of *Economic Justice and Natural Law* (Cambridge University Press, 2009), *The Conscience of an Anarchist* (Cobden Press, 2011) and *Anarchy and Legal Order* (Cambridge University Press, 2013), and coeditor of *Markets Not Capitalism* (Minor Compositions-Autonomea, 2011).

David Friedman is an academic economist with a doctorate in physics whose current specialty is the application of economics to law. He has written books and articles dealing with economics, political philosophy, future technology, and law, as well as two novels. His academic interests include price theory, Public Choice theory, the history of economic thought, historical legal systems, stateless societies past and future, and the implications of radical technological change for law and society. His nonacademic interests include fantasy, science fiction, and medieval cooking.

David M. Hart received a B.A. in history from Macquarie University, Sydney, writing a thesis on the thought of Gustave de Molinari. He received a Ph.D. in history from King's College, Cambridge on the work of two French classical liberals of the early 19th century, Charles Comte and Charles Dunoyer. He then taught for 15 years in the Department of History at the University of Adelaide in South Australia. Since 2001 he has been the Director of the Online Library of Liberty Project at Liberty Fund <<http://oll.libertyfund.org>>. His research interests include the history of classical liberal thought, war and culture, and film and history. He is currently the Academic Editor of Liberty Fund's translation project of the *Collected Works of Frédéric Bastiat* (in 6 vols.) and is also editing for Liberty Fund a translation of Molinari's *Conversations on Saint Lazarus Street: Discussions on Economic Laws and the Defence of Property* (1849). David is also the co-editor of two collections of 19th century French classical liberal thought (with Robert Leroux of the University of Ottawa), one in English published by Routledge (May 2012) and another in French called *The Golden Age of French Liberalism* (forthcoming 2013). On his personal website <<http://davidmhart.com/liberty>> David has his lectures and a considerable number of resources on

19th century classical liberal thought, including a large section on Molinari, Bastiat, and other French classical liberal political economists (mostly in French).

Matt Zwolinski an associate professor of philosophy at the University of San Diego, a co-director of USD's Institute for Law and Philosophy, and the founder of and frequent contributor to the Bleeding Heart Libertarians blog <<http://bleedingheartlibertarians.com/>>. He has two book projects in progress: *Exploitation, Capitalism, and the State*, exploring the idea of exploitation and its relevance for the moral evaluation of both certain forms of market exchange (such as sweatshops and price-gouging) and political activities or structures (such as rent-seeking and the modern bureaucratic state), and with John Tomasi, *A Brief History of Libertarianism*, attempting to trace libertarian thought from its origins in figures like Grotius and the Spanish Scholastics to more contemporary figures like Rothbard, Hayek, Rand and Nozick. It is currently under contract with Princeton University Press.

1. LEAD ESSAY: RODERICK T. LONG, “GUSTAVE DE MOLINARI’S LEGACY FOR LIBERTY”

Gustave de Who?

Today the Belgian-born economist Gustave de Molinari (1819-1912) is little known outside of libertarian circles, and most of his work remains untranslated. Molinari’s fame was once much greater; in his own day his works were discussed by such internationally prominent intellectual figures as Lord Acton, Henry James, Karl Marx, Thorstein Veblen, and Frédéric Passy (first recipient, with Jean Henry Dunant, of the Nobel Peace Prize), and he was an important influence on Vilfredo Pareto.

Born in Liège, Molinari made his way to Paris at around age 21 and fell in with the classical liberal movement centered on the Société d’Économie Politique and working in the tradition of Jean-Baptiste Say; Frédéric Bastiat in particular became an important colleague and mentor. Writing in a clear, engaging, and witty style modeled on Bastiat’s, Molinari penned dozens of works in economics, sociology, and political theory and advocacy, on topics ranging from the economic analysis of history to the future of warfare and the role of religion in society, as well as memoirs of his travels in Russia, North America, and elsewhere; his contemporaries described him as “the law of supply and demand made into man.” He eventually served as editor of the prestigious *Journal des Économistes*, chief organ of French liberalism, from 1881 to 1909. He is buried in Père Lachaise cemetery, in a grave adjoining that of fellow radical liberal Benjamin Constant.

But Molinari’s chief claim to fame today, among those who have heard of him at all, is his status as the first thinker to describe (most notably in his article “The Production of Security” and book *Soirées on the Rue Saint-Lazare*, both published in 1849) how the traditional “governmental” functions of security could be provided by market mechanisms rather than by a monopoly state – the “free-market anarchist” position later developed and popularized by such thinkers as Lysander Spooner, Benjamin Tucker, John Henry Mackay, and Francis Dashwood Tandy in the nine-

teenth century, and Murray Rothbard, David Friedman, Bruce Benson, and Randy Barnett in the twentieth.[1]

The Road to Market Anarchism

To understand the importance of Molinari’s contribution, some historical context is useful. The extent of the state’s proper sphere had long been a vexed question among classical liberals. That it should be small, most agreed; but how small? Even if liberals were generally more optimistic concerning the prospects for peaceful cooperation in a stateless social order than Thomas Hobbes had been in his 1651 *Leviathan*, they still tended, along the lines laid out in John Locke’s *Second Treatise of Government*, to regard a governmental monopoly – albeit a sharply limited one – as an essential bulwark of liberty.

One of the first liberal thinkers to question this consensus was Thomas Paine. In his 1776 *Common Sense*, Paine had described government as a “necessary evil”; but sixteen years later – probably under the influence of the spontaneous-order analyses of thinkers like Adam Smith, whose work Paine praises – he seems to have become less certain of the “necessary” part. In *The Rights of Man*, Paine writes:

Great part of that order which reigns among mankind is not the effect of government. It has its origin in the principles of society and the natural constitution of man. It existed prior to government, and would exist if the formality of government was abolished. The mutual dependence and reciprocal interest which man has upon man, and all the parts of civilized community upon each other, create that great chain of connection which holds it together. The landholder, the farmer, the manufacturer, the merchant, the tradesman, and every occupation, prospers by the aid which each receives from the other, and from the whole. Common interest regulates their concerns, and forms their law; and the laws which common usage ordains, have a greater influence than the laws of government. In fine, society performs for itself almost everything which is ascribed to government. ... It is to the great and fundamental principles of society and civilization – to the common usage universally consented to, and mutually and reciprocally maintained – to the

unceasing circulation of interest, which, passing through its million channels, invigorates the whole mass of civilized man – it is to these things, infinitely more than to anything which even the best instituted government can perform, that the safety and prosperity of the individual and of the whole depends.

Moreover, unlike the primitivist, propertyless anarchist utopia that Jean-Jacques Rousseau had envisioned in his *Discourse on the Origin of Inequality*, the stateless society that Paine envisioned was clearly a commercial society where order was maintained by industry, trade, and economic self-interest.

Paine did not himself draw from his analysis the moral that *all* state functions should be turned over to private enterprise; but he opened the door to such a conclusion, and other thinkers would soon be walking through it. William Godwin explicitly credited this passage from Paine with inspiring his own anarchist manifesto the following year, and other market-friendly advocates of a stateless society soon followed, including Thomas Hodgskin in England, Pierre-Joseph Proudhon in France, Johann Gottlieb Fichte in Germany, and Josiah Warren and Stephen Pearl Andrews in the United States.[2] Within Molinari's own French liberal tradition, such pioneers as Jean-Baptiste Say, Charles Dunoyer, and Augustin Thierry had flirted, at least for a time, with the notion of a stateless society as a potentially viable ideal.

But while these thinkers tended to speak of turning governmental services over to the realm of economic enterprise rather than to that of political compulsion, they offered no real details as to how such functions as security might be provided in the absence of the state. And here we see the significance of Molinari's contribution. Molinari's account may not have been as sophisticated as those of some of his successors; he may not have addressed all the objections with which those successors have had to grapple; and he may have said disappointingly little about the market provision of *legal norms*, a topic that looms large in more recent market anarchist thought. But Molinari was the first thinker to identify and describe the *economic mechanisms* by which the nonstate provision of security might be effected; and this arguably entitles him – despite his not using the term “anarchist” himself[3] – to be considered the originator of market anarchism.

The Competitive Provision of Security

Molinari's approach to the topic of security provision involves treating the state as a firm, whose managers are subject to the same economic incentives as those of other firms; in this respect he may be seen as a pioneer of public choice analysis. Molinari points out that there are three ways in which any good or service, security included, may be provided. First, the market for the good or service may be compulsorily restricted to a single provider or privileged group of providers; this is *monopoly*, which in the case of security corresponds to *monarchy*, wherein the royal family in effect owns the entire security industry. Second, the market may be managed by or on behalf of society as a whole; this is *communism* or *collectivization*, which in the case of security corresponds to *democracy*, wherein the security industry is in effect publicly owned. Third, the market may be thrown open to free competition, or *laissez-faire*, a situation which in the case of security Molinari calls *freedom of government*, and which his successors would call *anarchy*.

Now in the case of goods and services other than security, the incentival and informational perversities that beset both monopolistic and collective provision are well known, as is the superiority of free competition in respect of both efficiency and inherent justice; why, Molinari asks, should security be treated any differently? On the contrary, Molinari argues, the absence of market competition is even *more* dangerous in the field of security than elsewhere, since it not only serves as the enabling cause of monopolies in other fields, but also leads to warfare – both externally, as states strive to extend their territory, and internally, as interest groups struggle to direct the state's energies to their own purposes.[4]

France's own recent experience with democracy, in the wake of the 1848 revolution, played a role in weakening liberal enthusiasm for democracy generally; that Molinari's proposal comes the immediately following year is probably no coincidence. But unlike some of his liberal colleagues (including Dunoyer), Molinari did not look to a restoration of monarchy, either Bourbon or Orleanist (let alone Bonapartist), as an attractive solution to democracy's failings, instead upholding market anarchism as an alternative to autocratic and collective rule alike.

In place of the state provision of security, then, Molinari proposes a system of competing security firms on the model of insurance companies, with clients free to switch providers without switching locations; the need to retain clients, he argues, would keep prices low and services efficient.[5] In terms reminiscent of Proudhon's call for "the dissolution of the state in the economic organism," Molinari explains that he calls for neither "the absorption of society by the state, as the communists and collectivists suppose," nor "the suppression of the state, as the [non-market] anarchists and nihilists dream," but instead for "the diffusion of the state within society." [6]

Inasmuch as Molinari was unfamiliar with the recent research on historical examples of stateless or quasi-stateless legal systems to which more recent proponents of market anarchism are able to appeal, his arguments are necessarily more theoretical than historical; but he does cite Adam Smith's argument that the "present admirable constitution of the law courts in England" is due to "that emulation which animated these various judges, each striving competitively..." And when military defense is needed, Molinari maintains, security firms would find it in their interest to pool resources to fend off the invader; as for military offense, firms would find it difficult to engage in this without a captive tax base.

"One day," Molinari predicted in 1849, "societies will be established to agitate for the freedom of government, as they have already been established on behalf of the freedom of commerce." His words have proven prophetic. Molinari's personal fame may have fallen over the course of the past century, but the popularity of his most distinctive idea has had the opposite trajectory, as today's profusion of market anarchist websites attests. Molinari, by contrast, stood virtually alone; his classical liberal colleagues, even those like Dunoyer who had veered close to anarchism in their own writings, were largely unconvinced by his arguments, objecting that competition presupposes, and so cannot provide, a stable framework of property rights, and that competition in security was a recipe for civil war.[7] Molinari himself came, in later writings, to moderate his own position in the face of public-goods objections, arguing that pure competition was appropriate only for goods and services of "naturally individual consumption," while for those of "naturally collective consumption" the only role for competition was

in bidding for government contracts.[8] Replies to these sorts of objections are easy to come by nowadays, but were not so in Molinari's own day and milieu.[9]

It is unclear how much influence, if any, Molinari's proposal for competing security firms had. Similar ideas would later be popular in Benjamin Tucker's circle, but may have been developed independently – though Tucker did read widely in French, and Molinari was hailed (albeit at a fairly late date) as an anarchist in the pages of Tucker's journal.[10] Some passages in Anselme Bellegarrigue's 1850 *Anarchy: A Journal of Order* and Proudhon's 1851 *General Idea of the Revolution* show possible traces of the influence of Molinari's 1849 arguments as well. Another thinker likely [11] influenced by Molinari was a fellow Belgian, Paul Emile de Puydt, whose 1860 article "Panarchy" called for competing systems of government within the same geographical territory, though unlike Molinari he seems to have envisioned a single provider for the different systems.[12] But Molinari's status as originator of market anarchism is more chronological than causal.

The Organization of Labor

The other contribution that most clearly differentiates Molinari from his liberal colleagues is his proposal for a system of labor-exchanges.

Concerns about unequal bargaining power between labor and capital are often regarded as a concern exclusive to the anti-market left; but Molinari, to his credit, recognizes the problem and seeks to address it. Molinari quotes favorably Adam Smith's observation that there is "everywhere a tacit but perpetual conspiracy among the employers, to stop the present price of labor from rising," and that with "employers being fewer in number, it is much easier for them to collude," and "the employers can hold out very much longer." But Molinari's diagnosis of the problem is the partial insulation of employers from market discipline. Such insulation, Molinari holds, is partly the result of laws favoring employers over laborers, and thus can be addressed in part by repealing such laws; Molinari, like Bastiat, is a stern critic of anti-union legislation.[13] But apart from such laws, he tells us, labor is also hampered by its lack of mobility in comparison with capital. Happily, modern transportation technology makes

it possible for workers to relocate swiftly from low-wage to high-wage areas; Molinari's solution, then, is to create a private network of labor-exchanges whereby employers could bid on the services of workers near and far. Labor unions and mutual credit societies would "provide their collective guarantee to enterprises of transportation and job placement" and thus secure "to the mutualized laborers the funds necessary to pay the cost of transporting them to the most advantageous market." [14]

The idea is an ingenious one, but it is reasonable to worry that Molinari has exaggerated the extent to which labor's mobility can be increased. The economist H. C. Emery plausibly attributes labor's comparative immobility "not so much to the lack of adequate machinery of exchange or to ignorance of the foreign (non-local) demand" as to the fact that a "laborer is after all a man" who "has a wife and children, and desires a fixed habitat for them," and consequently "refuses to have his household moved hither and thither at every fluctuation of demand." [15] Admittedly, telephone and internet have since made instant mobility a reality for those tasks that can be done via telecommuting, but there are still many jobs that require a physical presence.

Moreover, unlike many of his liberal and libertarian contemporaries such as John Stuart Mill, Herbert Spencer, Pierre-Joseph Proudhon, Lysander Spooner, Benjamin Tucker, and to a certain degree Wordsworth Donisthorpe, Molinari never questioned the necessity of the wage system itself, *i.e.*, the separation of labor from ownership. Obviously one solution to unequal bargaining power between capital and labor would be worker control of industry – not in the collectivized version favored by state socialists, but in the form of individual workers' cooperatives and independent contractorships competing on a free market. Eliminating legal barriers to worker control would force traditional hierarchical firms, unlovely in their work environments and blinded by the informational chaos that hierarchy brings, to compete on a level playing field with worker-controlled ones, to the likely advantage of the latter. Molinari never seriously addresses this pro-market but anti-capitalist alternative; his references to Proudhon, for example, are invariably dismissive, lumping him in with communists and state socialists, with little apparent recognition of his pro-market views. [16]

Molinari's Hits and Misses

But while labor-exchanges and market anarchism – both schemes for weakening the power of elites by extending the range of competition – may be Molinari's two most distinctive contributions, he is a fascinating, wide-ranging thinker whose ideas on a variety of topics deserve study and consideration, both for their strengths and for their potential weaknesses.

In his moral foundations Molinari combines consequentialist and deontological considerations. This seems like a good idea: purely consequentialist approaches to liberty tend to compromise moral principle and undervalue human dignity, while purely deontological approaches tend to make the normative force of moral principles mysterious, while leaving the beneficial consequences of liberty a fantastic coincidence. But Molinari never makes clear exactly how the consequentialist and deontological dimensions of ethics are supposed to be related.

Molinari also describes private property as an extension of the self, a defensible neo-Lockean position, yet fails to explain how such a conception is compatible with his support for "intellectual property" laws. How can ideas, inventions, and artistic compositions still be an extension of their creators when the objects in which they are realized are the minds, bodies, and property of other people?

Molinari's analyses are often marred, moreover, by narrowly egoistic and hedonistic assumptions about human psychology that a couple of simple thought-experiments should easily dispel. [17] And while remaining coy about his own religious commitments if any, he holds that for the masses, at least, a commitment to justice will be unstable without the motivations provided by religion. This seems hard to believe; the percentage of religious believers is high in Poland and low in the Czech Republic, for example, yet we do not see the kind of divergence between the two countries that Molinari would predict.

Molinari's historical accounts of the evolution of social institutions are fascinating, and bear signs of Spencer's influence; but unlike Spencer, Molinari offers virtually no evidence for them, and it is often unclear whether these are supposed to be literally accurate nar-

ratives or hypothetical constructs. The accounts also arguably suffer from excessive economic imperialism; have we really accounted for the spread of Christianity in Europe by noting that “Paganism was an expensive religion, Christianity a cheap one”?[18]

Molinari’s opposition to warfare and militarism is also commendable (his very name is cosmopolitan, combining three languages in one); yet his proposed remedy – international arrangements for collective security – seems problematic. Would such arrangements indeed make war less likely, by deterring aggression, or might they instead pose a risk of *extending* warfare by drawing allies in, while simultaneously threatening the political decentralization that he favors? And his contention that warfare and the state were necessary and justified in early historical periods – a historicist thesis widely shared by radicals in his day[19] – also seems inconsistent with his emphasis on the absolute, timeless, and immutable character of economic and moral principles.

Perhaps the least appealing of Molinari’s positions (unfortunately not an unusual one in his era, but again in seeming tension with his aforementioned absolutism) is his view that the vast majority of the human race – including women, nonwhite races, and a large percentage of the working class – are not yet ready for the liberty he advocates, and need to submit to a condition of at least temporary “tutelage,” while waiting for scientists to improve the human race through (admittedly voluntary) programs of “viriculture” (i.e., eugenics).

Nothing to Gain But Their Chains

Yet for all his shortcomings, Molinari remains not only an interesting historical thinker, but also a vital lodestar for the liberty movement today. He understood that the solution to abuse of power is not to elect better people into power, or to persuade current holders of power to play nice, or to rein them in with paper constitutions whose interpretation the powerful themselves will ultimately control, but rather to dissolve that power by extending the range of competitive markets.

All over the world, ordinary people long to be free of the tyranny of bosses and rulers; Molinari’s labor-exchange proposal, however flawed, plausibly identifies lack of competition as the linchpin of employer privilege and abuse, while his market anarchism, however incomplete, likewise plausibly identifies lack of compe-

tion as the linchpin of state privilege and abuse. Both proposals embody the same essential insight: the way to break the power of plutocrats and statocrats[20] alike is to subject both to the rule of competition – the adamant chains of *laissez-faire*.

Endnotes

[1] This position has also been described both as “voluntary socialism” and as “anarcho-capitalism,” largely according to which relations between labor and capital its various proponents have thought would or should emerge in a market entirely freed from state interference. More on this below.

[2] The interpretation of Godwin and Proudhon as market-friendly thinkers may be more controversial than in the case of the other theorists mentioned, but is defensible. Godwin held that property should be shared rather than held privately – but also that this should be a free moral choice, and that all forcible interference with private property and trade should be rejected. Proudhon (to simplify a rather complex story) attacked a form of private ownership he called “property,” but defended another form of private ownership he called “possession”; hence he was by no means an enemy of private ownership as such.

[3] As few early anarchists did in any case; the term was originally associated specifically with the Proudhonian tradition.

[4] Here Molinari is drawing on the liberal theory of class conflict developed by such predecessors as Dunoyer, Thierry, and Charles Comte.

[5] For criticism of the assumption that market provision of security must always take the form of competing for-profit firms, see Philip E. Jacobson, “Three Voluntary Economies,” *Formulations* 2, no. 4 (Summer 1995); also available at <<http://www.freenation.org/a/f24j1.html>>.

[6] Molinari, *L’Évolution Politique et la Révolution* (1888), pp. 393-94.

[7] For French liberal reaction to Molinari’s proposals, see “Question des limites de l’action de l’État et de l’action individuelle débattue à la Société d’économie politique” (*Journal des Économistes*, t. 24, no. 103

[15 Oct. 1849], pp. 314-316), also available at <<http://praxeology.net/JDE-LSA.htm>>, and Charles Coquelin's review of *Les Soirées de la Rue Saint-Lazare* (*Journal des Économistes*, t. 24, no. 104 [15 Nov. 1849], pp. 364-372, also available at <<http://praxeology.net/CC-GM-RSL.htm>> . De Puydt's "Panarchy" (see above) may possibly have been motivated by just these criticisms, as a way of retaining as much Molinarian competition as possible within a monopoly framework.

[8] Molinari, *Esquisse de l'organisation politique et économique de la Société future*, 1899.

[9] For contemporary discussion pro and con concerning such objections to market anarchism, see Edward P. Stringham, ed., *Anarchy and the Law: The Political Economy of Choice* (Transaction, 2007) and *Anarchy, State and Public Choice* (Edward Elgar, 2005); Roderick T. Long and Tibor R. Machan, eds., *Anarchism/Minarchism: Is a Government Part of a Free Country?* (Ashgate 2008); and on the broader question of public goods, Tyler Cowen, ed., *Public Goods and Market Failures: A Critical Examination* (Transaction, 1992).

[10] S. R. [possibly S. H. Randall], "An Economist on the Future Society," *Liberty* 14, no. 23, whole number 385 (September 1904), p. 2.

[11] Two Belgian economists independently defending competing-government schemes within a single eleven-year-old period would at any rate be a surprising coincidence, especially when the more prominent of the two is the one who wrote first.

[12] De Puydt, "Panarchie," *Revue Trimestrielle* (July 1860); also available at <<http://www.panarchy.org/depuydt/1860.eng.html>> . Curiously, de Puydt explicitly lists "the an-archy of M. Proudhon" as one of the options to be made available to the provider's clients; how a monopolistic firm is to offer absence of monopoly as one of its possible services is unclear.

[13] For Bastiat's defense of unions see "Speech on the Suppression of Industrial Combinations," available at <<http://www.econlib.org/library/Bastiat/basEss11.html>>.

[14] Molinari, *Les Bourses du Travail* (1893), ch. 8.

[15] Henry Crosby Emery, review of *Les Bourses du Travail*, in *Political Science Quarterly* 9, no. 2 (June 1894), pp. 306-308; also available at <<http://praxeology.net/HCE-GM-LE.htm>>.

[16] An article – simultaneously sympathetic and condescending in tone – on the free-market anticapitalist position of Benjamin Tucker and his circle did appear in the *Journal des Économistes* under Molinari's editorship; see Sophie Raffalovich, "Les Anarchistes de Boston," *Journal des Économistes* 41, 4th series (15 March 1888), pp. 375–88. For Tucker's reply, see Benjamin R. Tucker, "A French View of Boston Anarchists," *Liberty* 6 (4), whole no. 134 (29 September 1888), p. 4. For more recent defenses of an anticapitalist version of free-market anarchism, see Gary Chartier and Charles W. Johnson, eds., *Markets Not Capitalism: Individualist Anarchism Against Bosses, Inequality, Corporate Power, and Structural Poverty* (Minor Compositions, 2011), also available at <<http://radgeek.com/gt/2011/10/Markets-Not-Capitalism-2011-Chartier-and-Johnson.pdf>> ; Kevin A. Carson, 2007, *Studies in Mutualist Political Economy*, (BookSurge, 2007), also available at <<http://www.mutualist.org/sitebuildercontent/sitebuilderfiles/MPE.pdf>>, and *Organization Theory: A Libertarian Perspective* (BookSurge, 2008), also available at <<http://www.mutualist.org/sitebuildercontent/sitebuilderfiles/otkcl1.pdf>>; Gary Chartier, *Anarchy and Legal Order: Law and Politics for a Stateless Society* (Cambridge, 2013); and Samuel Edward Konkin III, *New Libertarian Manifesto* (Koman, 1983), also available at: <<http://agorism.info/NewLibertarianManifesto.pdf>>.

[17] See Christopher Grau, "Matrix Philosophy: The Value of Reality. Cypher and the Experience Machine," available at <<http://www.dvara.net/hk/matrixessay3.asp>>.

[18] Molinari, *Religion* (1892), I.6.

[19] For example, Proudhon, Spencer, and Marx all agree on this as well – though Bastiat, interestingly, does not.

[20] I owe the term "statocrat" to Bertrand de Jouvenel, *On Power: The Natural History of Its Growth*, trans J. F. Huntington (Liberty Fund, 1993), p. 174n.

2. RESPONSES AND CRITIQUES

1. Response by Gary Chartier: “If Not Labor Exchanges, Then What?”

Gustave de Molinari’s proposals to expand the reach of markets deserve our unqualified praise, even if we might be inclined to proceed in ways different from those he suggested. In particular, Molinari’s entrepreneurial attempt to conceive of institutions that might help to better the competitive position of labor in the market reflects his concern with an issue of crucial importance.

The labor exchanges Molinari envisioned might well not have been practical. But his goal in proposing them—to help foster a seller’s market in labor—was important. Achieving it could help significantly to improve the well-being of workers within a genuinely freed market. While ensuring workers’ access to the kind of information about job opportunities that Molinari’s labor exchanges would have offered might make a difference, more radical free-market reforms could help to do so more effectively.

Many workers in our society may conclude, not unreasonably, that while their material standards of living are higher than their peers’ were in previous generations, they still lack freedom and dignity in the workplace. Their capacity for independent judgment may be ignored; they may be dismissed capriciously; and they may be treated with disrespect.

People like being treated well. And they can thus be expected to gravitate toward jobs featuring attractive working conditions. They may, of course, opt for pay over dignity, as they should be free to do. But workers will likely choose greater freedom and dignity when they can. Thus, *in a competitive labor market*, firms that want to attract workers will be incentivized to offer greater freedom and dignity as means of securing the best employees. By contrast, of course, in a not-so-competitive labor market, like the one we in fact have now, firms will have little incentive to institute policies that safeguard workers’ freedom and dignity as a means of recruiting effectively.

Attracting desired employees isn’t the only reason to treat workers well, obviously. A fair, morally decent

employer will regard respecting workers’ freedom and dignity as worthwhile for its own sake. And even less morally sensitive employers may recognize that one way of respecting workers’ dignity—empowering them to make as many decisions as possible—can substantially enhance productivity.

Large hierarchical firms seem likely to be beset by the incentive and knowledge problems that complicate the lives of state central planners. As economists have known for much of the 20th century, top-down control over an economy is certain to lead to poor performance. Hierarchical firms can be expected to encounter the same problems.

The larger an organization, the more likely it is that managers will lack crucial information. This is both because there will be multiple layers separating various actors with relevant information (with institutional pressures impeding accuracy) and because there will be no system of prices encoding the information and usable for calculation.

In addition, the principal-agent problem besets large firms at multiple levels, fostering inefficiencies as workers—whether senior managers or front-line employees—seek their own goals rather than firm profitability.

Thus, it seems fairly clear that, all other things being equal, the smaller and flatter a firm is, the better the information available to participants will be. The more production decisions are based on actual market prices rather than on simulated intra-firm transfer prices, the more efficient and responsive to reality they’re likely to be. And the more a worker has skin in the economic game, the more likely she will be to make prudent, profit-maximizing decisions.

This means, then, that discernible economic pressures might be expected to lead existing firms to adopt flatter structures in which front-line workers were better able to use the knowledge available of them to make important decisions, and to make newly established firms more likely to feature flat organizational structures. Thus, firms that treat workers better by offering them more opportunities to make decisions and subjecting them less frequently to arbitrary managerial authority should do better in the marketplace than their hierarchical competitors. Market forces might be expected to lead to the emergence of firm structures in

which workers could use their knowledge and skills effectively and in which they were treated with respect: Smaller, flatter firms could be expected to outcompete larger, more hierarchical ones.

But we don't see lots of smaller, flatter firms in the marketplace. Does this mean that, contrary to expectations, larger firms really are more efficient?

Whether this is so will depend in significant part on empirical questions that can't be sorted out *a priori*. But it does seem as if several factors in our economy might tend to help large firms ignore the diseconomies of scale that would otherwise render them unsustainably inefficient. Tax rules and regulations tend to encourage capital concentration and thus increased firm size. Subsidies reduce the costs inefficiently large firms might otherwise confront—and large firms can more readily mobilize the resources needed enable them to extract wealth from the political process than small firms. Eliminating these factors seems likely to make alternatives to the large corporate firm significantly more viable.

In addition, workers often lack access to the resources needed to start firms precisely because of state-sanctioned theft and state-secured privilege. Massive, ongoing robbery and asset engrossment by states and their cronies has played a crucial role in creating a class of economically vulnerable workers. Reversing this process can help to enrich workers and give them the economic leverage they need both to create new firms and to opt for self-employment as an alternative to work in hierarchical businesses.

To the extent that such alternatives are more viable, they can be expected to be more common. Freedom from arbitrary authority is a consumer good. Given the disgust and frustration with which many people view the petty tyrannies of the contemporary workplace, I suspect it's a consumer good many people would like to purchase. At present, the price is high; there are very few opportunities to work in partnerships or cooperatives or to choose self-employment. So the question is: what might reduce the price?

The price is partly affected by the relative frequency of hierarchical versus nonhierarchical workplaces. So eliminating props for hierarchy ought to put more alternatives on the table. At the same time, people often don't choose such alternatives because of the risks

associated with doing so. Saying goodbye to corporate employment means taking responsibility for one's own medical care and retirement (if, of course, you're a worker who even has these options in the first place, as many purportedly part-time workers don't), requires one to front the capital required to make startup operations possible, and forces one to confront the spectre of unemployment if one's startup business fails. But medical care and retirement are associated with corporate employment primarily because of the current tax system; and medical care, in particular, would be more affordable by far in the absence of state regulation and state-driven cartelization. So the challenge of caring for one's health in connection with a mutual-aid network, say, would be much less daunting than at present. Startup capital would be more available if state-confiscated resources were marketized and state-engrossed land available for homesteading, and less necessary, in any case, if state regulations didn't drive up capitalization requirements. And unemployment would be more affordable if state regulations didn't raise the minimum cost of living, and could be manageable by means of the support offered by mutual aid.

Furthermore, it's not clear that it would be impossible to raise money in equity markets and from investment banks for partnerships, cooperatives, and solo ventures. There are ways to secure investments that don't involve participation in governance—and of course significant quantities of stock for sale today doesn't necessarily come with voting rights.

Thus, people who wanted to opt for boss-free workplaces would find it easy to do so in the absence of state-driven props for hierarchy and state-driven barriers to self-employment and employment in partnerships and cooperatives. And the fact that they did so, making boss-free options increasingly visible and numerous, would have consequences for boss-dominated workplaces, too. The availability of alternatives that offered people more dignity, more predictability, more security, and more opportunities for participation in decision-making would exert market pressure on conventional corporate firms, encouraging them to make theoretically boss-dominated workplaces more like those at other kinds of firms. The differences wouldn't disappear, but they might be meaningfully reduced.

In addition, boss-dominated firms might experience greater pressure to democratize in virtue of unioniza-

tion. To the extent that the state's bargain with unions has been, all things considered, bad for collective action in the workplace, eliminating state labor regulation could open up opportunities for Wobbly-style direct action that could increase unionization and offer workers resultingly more extensive workplace protection. Again, even in nonunionized firms, there would be market pressure to mimic at least some features of unionized firms, both to avoid losing workers to those firms and to forestall union organizing efforts.

Moral suasion typically shouldn't be seen as the primary driver of social change. But active advocacy on behalf of workplace dignity and fairness could obviously lead to changes in social norms and expectations that would further reduce the perceived legitimacy of bossism and encourage the flourishing of alternatives.

A free society wouldn't and couldn't eliminate investor-owned or boss-dominated firms—nor should it, not only because violent interference with these patterns of ownership and control would be unjust but also because workers might often benefit from the ability to shift risk onto employers and investors. But structural changes could create significantly greater opportunities for self-employment and work in partnerships and cooperatives.

Molinari rightly sought to increase the competitiveness of the labor market in the interests of workers. Sharing information, as his labor exchanges would do, could be very useful. Eliminating state-secured privilege and remedying state-sanctioned and state-perpetrated injustice could be even more useful.[1]

Endnotes

[1] I happily acknowledge my dependence throughout on the work of Kevin Carson; see Kevin A. Carson, *Organization Theory: A Libertarian Perspective* (Charleston, SC: BookSurge 2008); Kevin A. Carson, "Left-Libertarianism: No Masters, No Bosses," *Center for a Stateless Society* (Molinari Institute, Nov. 16, 2012) <<http://c4ss.org/content/14459>> (April 5, 2013).

2. Response by David D. Friedman: "Comment on Roderick T. Long on Gustave de Molinari"

Molinari's 19th century defense of anarcho-capitalism deals with some, but not all, of the objections familiar to its modern defenders. He considers the risk of a cartel of protection agencies and argues that the customers would respond by revolting against them, as the French revolted against the *Ancien Regime*. [1] It is not an entirely persuasive response—there have been lots of tyrannies that were not overthrown—but it is a response. He considers the problem of national defense and argues that the agencies would cooperate to provide it in their mutual interest—ignoring the free-rider problem due to the public-good nature of defense.

He does not, however, consider one problem routinely raised by critics of anarchy, from Rand on down—conflicts between agencies. If I think the customer of another agency has violated my rights and he denies it, how, other than by violent conflict between the agencies, is the dispute to be settled?

The response that some modern anarcho-capitalists would offer is that all agencies would agree on a common legal system, deducible by reason, and accept the verdicts of private courts judging according to that system. Molinari, however, writes that "The sense of justice seems to be the perquisite of only a few eminent and exceptional temperaments," [2] and later, discussing the alternative of monopoly provision of justice in a democracy, appears skeptical of the view that "human reason has the power to discover the best laws ... ," [3] so it does not look as though that answer is available to him. An alternative, and in my view more plausible, response is that each pair of agencies, in order to avoid the costs and uncertainty of violent conflict, will agree on a private court to settle their disputes, bargaining on the basis of what legal rules they believe will make the product they produce most attractive to their customers. The agreement will then be enforced by the discipline of repeat dealing, each agency knowing that if it refuses to accept verdicts that go against its customers, the other will do the same. [4] That solution does not seem to have occurred to Molinari, possibly because the problem did not occur to him.

A more serious weakness in his defense of replacing monopoly government with competition is that much of it depends on arguments that appear logical only if you do not think very hard about them. Thus, for instance, he writes:

Either communism is better than freedom, and in that case all industries should be organized in common, in the State or in the commune.
Or freedom is preferable to communism, and in that case all industries still organized in common should be made free, including justice and police.... [5]

Which sounds fine as rhetoric, but makes very little sense. One could as easily argue that either all metal is heavier than all wood or all wood is heavier than all metal—neither of which happens to be the case. Part of the problem is Molinari’s understandable ignorance of economic ideas not yet invented when he was writing, ideas that help explain why some activities are or are not better suited to market production than others. He is left making the best arguments he can, but they are not always very good ones.

In summary, most of what anarcho-capitalists have learned in the century and a half since Molinari wrote is what economists more generally have learned. We are better able to distinguish good arguments against our position—national defense really is a public good, and so presents problems for a pure market society—from bad ones, and better able to offer good arguments, largely from Public Choice theory, against the alternative.

A feature of Molinari’s thinking that I found intriguing because of the parallel with modern libertarian thought is the idea that increased mobility could provide a solution to the faults of existing institutions. In his case that meant labor exchanges taking advantage of new technology—the railroad to move people and the telegraph to move information. For us it means the Internet, usually seen as a solution to problems not of employers, Molinari’s concern, but of governments. It is true, as Roderick points out, that even if information is mobile, individual workers often are not—while telecommuting has made one part of Molinari’s solution more practical than he imagined, geographical ties are still a constraint for those with real-space jobs. But even the real-space employee can use the Internet to reduce the geographical specificity of the rest of his life; if most of your social life occurs online, you can

move to any job without abandoning your network of friends and acquaintances. That makes Molinari’s solution to his problem more viable for us than for him, as well as increasing the degree to which governments must compete for citizens.

The part of Roderick’s piece that I found least convincing was his criticism of Molinari for failing to consider worker control of industry as a solution to the problem of unequal power between employer and employee. Roderick refers to legal barriers to worker control but does not, at least in this essay, actually mention any. As best I can tell, in modern capitalist societies, there is nothing to prevent workers from starting their own firms or buying out the stock of the firms they currently work for—as I pointed out some 40 years ago, income is sufficiently large relative to capital to make either, in many cases, a practical alternative.[6] Worker-owned firms exist but are uncommon, save in industries such as law where the ordinary corporate form is legally forbidden[7] — the opposite of the pattern one would expect if they were really a superior form of economic organization.

One explanation is risk aversion—in a worker-owned firm both the physical capital and the human capital of the owners are linked to a particular firm in a particular industry, making changes in the value of both highly correlated. Other explanations involve problems of organization and incentives; worker democracy within a firm has many of the same problems as political democracy. Arguably the ideal form of government is competitive dictatorship, the way in which restaurants are currently governed—I have no vote on what is on the menu, an absolute vote on what restaurant I choose to eat at. It is also the way in which traditional employment is organized, competing for workers rather than customers.

I end by offering some evidence for Roderick’s description of Molinari’s writing as “clear, engaging, and witty. Here is one of my favorite passages, from the *Soirées*, an imaginary exchange between a socialist, a conservative, and an economist—the latter obviously Molinari. The subject is eminent domain:

THE ECONOMIST

... An owner can have his property confiscated under the law of expropriation for reasons of public utility.

THE CONSERVATIVE

What? Do you wish to abolish that tutelary law without which no undertaking on the grounds of public utility would be possible?...

THE ECONOMIST

Oh, and is not a farm which produces food for everybody not an undertaking also useful to all? Is not the need to eat at the very least as universal and necessary as the need to travel?...

THE CONSERVATIVE

... The development of a railway is subject to certain natural exigencies; the slightest deviation in the route, for example, can entail a large increase in costs. Who will pay for this increase? The public. Well, I ask you, must the interest of the public, the interest of society be sacrificed to the stubbornness and greed of some landowner.

THE SOCIALIST

Ah, Mr. Conservative. These are words which reconcile me to you. You are a fine fellow. Let us shake on it.

THE ECONOMIST

There are in the Sologne vast stretches of extremely poor land. The poverty stricken peasants who farm there receive only a meager return for the most laborious efforts. Yet close to their wretched hovels rise magnificent chateaux with immense lawns where wheat would grow in abundance. If the peasants of the Sologne demanded that these good lands be expropriated and transformed into fields of wheat, would not the public interest require that this be granted them?

THE CONSERVATIVE

You go too far. If the law of expropriation were used in the cause of public utility to transform lawns and pleasure gardens into fields of wheat, what would happen to the security of property? Who would want to manicure a lawn, lay out a park, decorate a chateau?

THE SOCIALIST

Expropriation always entails an indemnity.

THE CONSERVATIVE

... There are things for which no indemnity could compensate. Can you pay for the roof which has sheltered generations, the hearth around which they have lived, the great trees which witnessed their births and their deaths? Is there not something of the sacred in these centuries old abodes, in which the traditions of the ancestors live on, in

which so to speak the very soul of the family breathes? Is not the expulsion of a family forever from its ancient patrimony, the commission of a deeply immoral assault?

THE ECONOMIST

Except, of course, when it is a question of building a railway.[8]

Endnotes

[1] “And if all the companies agreed to establish themselves as monopolies, what then?” Readings p. 145, *Soirees* p. 332, translation p. 298. [The draft translation used for the *Conference Readings* can be found at the OLL: <<http://oll.libertyfund.org/pages/molinari-s-evenings-on-saint-lazarus-street-1849>>].

[2] *Readings* p. 111, from “The Production of Security.”

[3] *Readings* p. 117.

[4] That approach is sketched in part III of D. Friedman, *The Machinery of Freedom*, available for download at <www.daviddfriedman.com/The_Machinery_of_Freedom_.pdf>.

[5] *Readings* p. 134, translation p. 287, *Soirees* pp. 318-19.

[6] *Machinery of Freedom*, chapter 24.

[7] Large law firms are owned by the partners, a subset of the workers.

[8] *Readings* pp. 59-62, *Soirees* pp. 70-73, translation pp. 68-71.

3. Response by David M. Hart: “Historical Reflections on Molinari’s Legacy”

Unfortunately, 101 years after his death at the ripe old age of 93, we still lack a good intellectual and political biography of Gustave de Molinari. Gérard Minart has made a good start with his French-language biography published in 2012 to coincide with the centennial of Molinari’s death,[1] but there are still enormous gaps in our knowledge of his very long life and his many and varied activities in the cause of individual liberty. This response to Roderick Long is designed to add a few paragraphs to what Roderick has usefully provided for us.

Let me begin by summarizing a few aspects of his life and thought which are probably not well known and to discuss one or two of them in a bit more depth in order to begin assessing Molinari’s legacy:

1. He was one of “the Four Musketeers” (Minart’s term) who were young men from the provinces who came to Paris in the 1830s and 1840s and changed French classical liberalism in fundamental ways.
2. For most of his long life he was an ideologically committed journalist and editor who opposed protectionism, socialism, colonialism, and militarism.
3. He was an academic economist for only a relatively short time during the 1850s and 1860s after he moved from Paris to Brussels.
4. He published the first one-volume synthesis of classical-liberal thought in 1849.
5. He was the “founding father” of anarcho-capitalism with a series of articles and chapters written between 1846 and 1863.
6. In his 60s Molinari turned to writing lengthy books on historical sociology, in which he explored the evolution of states and the ruling elites that controlled them, and the emergence of free markets and free political institutions, which these elites exploited for their own benefit.
7. There is a question concerning whether Molinari “sold out” his anarcho-capitalist beliefs towards the end of his life by accepting the idea that security was a public good that could only be provided collectively and not competitively.
8. There is another question concerning whether Molinari was becoming a cranky old man later in his life with his theory of “tutelage” for those

groups that were unable to exercise “self-government” (the poor, uneducated, women, ex-slaves and those who had been colonized), his view of religion as being necessary as a kind of “tutor” for the masses, and his strange theory of “viriculture,” which bordered on being a theory of eugenics. One might ask if this tendency was linked to his growing pessimism about the prospects for liberty in the late 19th and early 20th centuries or whether it had been an integral part of his social theory all along and only became more apparent at this time.

9. In spite of the evidence cited above for his growing crankiness and illiberalism, Molinari was still capable of very clear-sighted analysis of the prospects for liberty in the coming 20th century. In a series of articles written at the turn of the century and in his last couple of books, Molinari showed his skill as a prophet with his predictions about future war, government indebtedness, the rise of socialism, economic breakdown and, some 50 years after these catastrophes, the renaissance of classical liberalism. He thus died very pessimistic about the present but still optimistic about the prospects for liberty in the future.

1849 -- The Annus Mirabilis of Anarcho-Capitalism

In 1849, Molinari’s *annus mirabilis*, Molinari published his revolutionary insights into how “the production of security” could be undertaken by private and competing insurance companies. He did this in an article on “The Production of Security” in the *Journal des Économistes* in February and in chapter 11 of his *Soirées*. [2] He lacked the theoretical insights and sophistication to take these ideas very far but he was the first to have them, which is certainly worthy of some kind of intellectual prize. His revolutionary insight lay in two things: that security could be viewed as being like any other service or “industry” provided in the free market, and that the institutions which the market was already evolving could supply this new “industry” as profit-seeking entrepreneurs sought to satisfy the needs of consumers using scarce resources.

The actual details of how this would happen he left unexplored perhaps in his haste to get his thoughts on paper while the intellectual tornado of the revolution was still swirling about with its mix of socialist, conservative, Bonapartist, as well as liberal ideas. Perhaps he

also thought that the specific way in which the market would supply these goods and services was not the job of the economist to answer, only that it could and would, since the “economic problem” was a universal one. For example, in a socialist society in which all groceries were supplied by government-run depots, one might well ask a free-market advocate of private provision of groceries how a free market would do this exactly? What grocery suppliers would emerge? On what streets would they be located? What would they charge for staples like bread (and wine). What would happen if the farmers refused to supply Paris with the food it needed? Wouldn't rival grocery stores do battle on the streets to secure prime locations for their stores? Wouldn't they offer low prices at first to win market share only later to jack up prices for the unfortunate customers? Perhaps, somewhat naively, Molinari thought that just as it would be foolish and impossible for an economist to give detailed answers to these questions to the defender of a government monopoly provision of groceries, so too would it be foolish to try to do the same for security services.

It should also be kept in mind that the chapter 11 in which these ideas were presented in *Les Soirées* was just one of several in which Molinari presented private alternatives to “public goods” such as water supply and roads. Thus he thought that security was part of a spectrum of similar industries to which competitive market solutions might be applied.

Molinari extended his analysis of the private and competitive provision of security services in his treatise on economics, the *Cours d'économie politique*, which came out of the lectures he gave at the Musée royal de l'industrie belge in Brussels in 1855 and which he revised and expanded in a second edition that appeared in 1863.[3] This was to be the last occasion Molinari dealt with these issues for some time because he left academia to pursue a career in journalism.

Did Molinari sell out the anarcho-capitalist cause towards the end of his life?

I think one could argue that Molinari did indeed retreat from the radical defense of anarcho-capitalism he had developed between 1845 and 1865 when he was relatively young (26-46 years old). This is not surprising for a couple of reasons. Firstly, he was aban-

doned by his free-market colleagues who thought, along the lines argued by Charles Dunoyer in a meeting of the Political Economy Society in Paris in 1849, that Molinari had been “swept away by illusions of logic”; none of them were prepared to follow him down this route.[4] Secondly, in 1867 Molinari made a career change that took him out of academia and into full-time journalism where he had less time to devote to such theoretical matters as anarcho-capitalism. In fact, you might say he became quite distracted with the directions his new career took him in. And thirdly, from the mid-1880s, with the return of protectionism and the rise of socialist groups across Europe, he became increasingly pessimistic about the prospects for liberty - and justifiably so I would add. As a consequence he no longer believed that people were ready for such a radical transition to a freer society as anarcho-capitalism would require. When all three factors are considered it is not surprising perhaps that his radicalism weakened as the years went by.

I also think his transition from academia to journalism merits further study if we wish to understand how and why Molinari changed gears in his thinking about society. In October 1867 Molinari decided to make a career change, which took him out of academia and out of Brussels and back into journalism in Paris (one should also note that his wife died in 1868 which also deeply affected him personally). This meant that Molinari was no longer willing or able to work as an academic economist grappling with theoretical issues such as public goods. He dramatically shifted his attention to travel writing and political commentary about the new Third Republic. His new position was with the influential *Journal des Débats*, published by Edouard Bertin and after 1871 by Léon Say (the grandson of Jean-Baptiste Say), who served three times as minister of finance during the Third Republic. Molinari served as editor-in-chief from 1871 to 1876. His interest in foreign travel began with a lecture tour of the Russian Empire at the time of the abolition of serfdom (1861) and went on to include an impressive range of countries about which he wrote for the *JDD*, including the United States and Canada (1876), South Carolina (1878?), Ireland, Canada, Jersey (1881), the Rocky Mountains, Russia, Corsica (1886), Panama, Martinique, Haiti (1887). When not traveling he was occupied in writing political analysis about a very tumultuous time in French history, such as the defeat of France in the

Franco-Prussian War, the collapse of Napoleon III's Second Empire, the rise of socialism during the Paris Commune, and the formation of the Third Republic. When he did return to more economic concerns it was as editor of the *Journal des Économistes* to which he was appointed in 1881 on the death of Joseph Garnier who had been editor from 1866-81. The books which flowed from his pen during the early and mid-1880s were what I would call historical sociology rather than economic theory, a subject which he had not touched for nearly 15 years.

We can say definitely that by the time *Esquisse de l'organisation politique et économique de la société future* [English version] was published in 1899,[5] Molinari had definitely “retreated” to a non-anarcho-capitalist position, accepting that there were “natural monopolies” which only governments could supply and that protection services were such a natural monopoly. Exactly when this transition occurred between 1865 and 1899 needs to be determined by further study, but an analysis of some key phrases that he used can be instructive in pinning this down more precisely. One such phrase is “la liberté de gouvernement,” which he used in the sense of competitive “governments” (or suppliers of protective services), a parallel concept to that of “la liberté du commerce” (free trade). When he believed that competing privately owned insurance companies could supply security services, then “la liberté de gouvernement” had an anarcho-capitalist meaning in the Rothbardian sense.

As late as 1887 in *Les Lois naturelles de l'économie politique*[6] Molinari is still defending this idea of “la liberté de government,” but he now draws an important distinction between “la liberté du commerce” (free trade), which had a vigorous organization lobbying for its introduction, especially in England with Richard Cobden's Anti-Corn Law League, and which could therefore prepare the English people for the idea of free trade, and “la liberté de gouvernement” (free government), which had no organization to prepare the people to accept it. That being the case, the idea would require “tutelage” as an intermediate measure before it could be fully implemented. By 1899 Molinari believed this intermediate measure had to be made permanent, thus fully abandoning an anarcho-capitalist meaning of “la liberté de gouvernement.” And so he stopped using this phrase entirely.

But this was a strange kind of “sell out,” as he continued to quote passages from “The Production of Security,” such as the quote from Adam Smith on courts charging fees for their services. Whereas then he believed in fully competitive protection companies without any geographic monopoly, now he thought security is a “naturally collective” good that should be provided by the government with a geographic monopoly, but with a number of radical twists. He believed that these monopolies should be very small, such as municipalities or proprietary communities, and that they should outsource the provision of security to private firms in order to have some kind of market in security and thus keep costs down. If this is a sell-out then it is a strange kind of sell-out since it is still much more radically anti-state and pro-free market than anything his colleagues were advocating at that time.

Interestingly, his contemporary Herbert Spencer was having similar reservations as the prospects for liberty receded in the late 19th century. In 1851 when *Social Statics* appeared with the chapter “The Right to Ignore the State,” Spencer believed that Britain was in a “transition state,” where the preconditions for people to live in a fully free and deregulated society were on the verge of being established.[7] If they wished to do so, they had or would soon have the moral framework to live as free and responsible individuals and could “ignore the state” without violating the rights of others. When he republished *Social Statics* in 1892, he no longer believed this to be the case. Instead he thought the people had become corrupted by the growth of government, militarism, and socialism, and so he withdrew the chapter on “The Right to Ignore the State.” The similarities with Molinari on this matter are striking.

Endnotes

[1] Gérard Minart, *Gustave de Molinari (1819-1912)* (Institut Charles Coquelin, 2012).

[2] Gustave de Molinari, “De la production de la sécurité,” *Journal des Économistes*, 15 February 1849, pp. 277-90 PDF version <<http://library.mises.org/books/Gustave%20de%20Molinari/The%20Production%20of%20Security.pdf>> and HTML version <davidmhart.com/liberty/FrenchClassicalLiberals/Molinari/Articles/ProductionSecurity1.html>; and *Les*

Soirées de la rue Saint-Lazare; entretiens sur les lois économiques et défense de la propriété. (Guillaumin, 1849). Onzième Soirée, pp. 303-37. Draft translation <<http://oll.libertyfund.org/pages/molinari-revised-chapters-1-3-6-11>>.

[3] Gustave de Molinari, *Cours d'économie politique, professé au Musée royal de l'industrie belge*, 2 vols. (Bruxelles: Librairie polytechnique d'Aug. Decq, 1855). 2nd revised and enlarged edition (Bruxelles et Leipzig: A Lacroix, Verbroeckoven; Paris: Guillaumin, 1863). Tome I: La production et la distribution des richesses. Tome II: La circulation et la consommations des richesses. The final 12th lesson covers "Public consumption" in which Molinari continues his discussion of what he calls "political competition". "Douzième leçon. Les consommations publiques", pp. 480-534.

[4] The discussion of *Les Soirées* by the Société d'économie politique took place in October 1849. Present at the discussion were Horace Say (chairman), Gustave de Molinari, Charles Coquelin, Frédéric Bastiat, M. de Parieu, Louis Wolowski, Charles Dunoyer, M. Sainte-Beuve (MP for L'Oise), M. Lopès-Dubec (MP for La Gironde), M. Rodet, and M. Raudot (MP for Saône-et-Loire). See *Journal des Economistes*, Vol. XXIV, no. 103, 15 October, 1849, pp. 314-16. In the same month Charles Coquelin wrote a hostile review of *Les Soirées* which appeared in *JDE*, Vol. XXIV, no. 103, 15 October, 1849, pp. 364-372.

[5] Translated into English in 1904: G. de Molinari, *The Society of to-Morrow A Forecast of Its Political and Economic Organisation*, trans. P. H. Lee-Warner (New York: G.P. Putnam's Sons, 1904).

[6] *Les Lois naturelles de l'économie politique* (Paris: Guillaumin, 1887). A more detailed analysis of Molinari's gradual retreat from his early anarcho-capitalist position can be found in the discussion which accompanies this virtual anthology of Molinari's writings on the state between 1846 and 1912 <<http://davidmhart.com/liberty/FrenchClassicalLiberals/Molinari/anarcho-capitalism.html>>.

[7] Herbert Spencer, *Social Statics: or, The Conditions essential to Happiness specified, and the First of them Developed*, (London: John Chapman, 1851). Chapter: XIX. The Right to ignore the State. <http://oll.libertyfund.org/titles/273#f0331_label_200>.

4. Response by Matt Zwolinski: "Two Cheers for Pessimism"

Roderick Long has, unsurprisingly, produced a terrific little essay on the life and thought of Gustave de Molinari. From it, readers can get a rich sense of the breadth, sophistication, and *audacity* of Molinari's thought. To be an anarchist of any stripe in the mid-19th century was a sign of tremendous intellectual independence and political courage. But what set Molinari apart from other anarchists, and secured for him a permanent position of honor in the history of libertarian thought, was his willingness and ability to go beyond a merely negative criticism of the state, and to provide real positive detail about the likely functioning of a stateless society. It was an ingenious insight, all the more so for being the kind of genius that appears obvious and inevitable in hindsight. If market competition is the most effective means for providing commodities like corn and linen, then why shouldn't the same commonly accepted economic logic be applied to the traditional security-providing functions of the state?

In 1849, Molinari saw no reason why it shouldn't. Fifty years later, however, he had changed his mind, reverting to the position that a single agency (the state) ought to have a monopoly on defensive services within a geographical area and that competition ought to be restricted to operating *between* states, not within them. [1] Long attributes Molinari's apostasy to his falling sway (improperly, in Long's view) to the influence of public-good type objections. David Hart, on the other hand, attributes it to a pessimistic spirit that Molinari seemed to develop in his later years.[2]

Interestingly, this same "pessimism" has also been suggested as the explanation for another well-known 19th-century libertarian's retreat from anarchism. In 1851, Herbert Spencer's *Social Statics* put forth a vision of a stateless society as a moral ideal. In this ideal, "states," or something like them, might continue to exist, but individuals would have the "right to ignore" them for any reason they chose, meaning that states would simply be one among many possible forms of voluntary organization.[3]

Spencer never exactly repudiated this anarchistic ideal. He did pull the chapter on the right to ignore the state from the 1892 revised edition of *Social Statics*, along with some other material, including a defense of

women's suffrage and a provocative argument against the legitimacy of private property in land. But, as George Smith correctly argues,[4] this change is best explained by a shift in Spencer's belief about the likely timing of a stateless society, not its desirability as an ultimate goal. Even in the original edition of *Social Statics*, Spencer was careful to note that the practicability of his moral principles "varies directly as social morality" and that attempting to apply it in a society of men whose moral character was not yet sufficiently developed would be productive of "anarchy" – a term he used, presumably, in a pejorative sense.

What changed for Spencer was his belief that human character would be ready for anarchism any time in the foreseeably near future. By 1899, when he wrote his *Autobiography*,[5] Spencer had come to doubt that men would be ready any time soon for the kind of freedom he had advocated as a young man. Human beings, he now believed, were governed primarily by their emotions and desires and were rational only "in a very limited sense." [6] Social and political institutions were even more dependent on character than he had previously thought. And the character of human beings wasn't progressively evolving, as he had once hoped and thought it would, in a way that would allow for peaceful and rational social cooperation among all human beings. Rather, he wrote in one of the 1896 concluding chapters of his *Principles of Sociology*, "The baser instincts, which dominated during the long ages of savage warfare, are being invigorated by revived militancy." [7] The consequences of this development were hard to predict with any accuracy, but Spencer's outlook at the dawn of the 20th century was decidedly (and prophetically) grim.

I think an examination of Spencer's pessimism sheds important light on Molinari's own move away from anarchism, and puts into sharp relief hard questions with which any contemporary advocate of market anarchism must deal. Molinari embraced a theory of human social and moral evolution not unlike Spencer's, including the important idea that human societies were evolving out of a stage in which militancy and hierarchy were appropriate, to one in which peaceful commercial relations would dominate.[8] And though he doesn't say so explicitly, it seems reasonable to infer that Molinari shared Spencer's belief that a stateless society was not a *timeless* ideal, but one appropriate only

to a particularly advanced stage of human moral evolution.

Once that stage had been reached and the state had been abolished, Molinari, like his contemporary market-anarchist followers, believed that violent conflict among producers of security would be rare.

Under the rule of free competition, war between the producers of security entirely loses its justification.... Just as war is the natural consequence of monopoly, peace is the natural consequence of liberty.[9]

Contemporary market anarchists generally make the same point by noting that violence is expensive.[10] If your security firm is frequently getting into violent conflicts with other firms, then you're going to have to pay for more guns, more funerals, and higher wages to compensate your employees for their increased risk. Because violence is expensive, rational firms will have a strong incentive to avoid these costs by resolving their disputes peacefully, probably through some form of prearranged binding arbitration. Firms that must bear the costs of violence themselves are less likely to resort to it than governments that can coercively impose those costs on their citizens, and so we have good reason to believe that an anarchist society will generally be a more peaceful one than a society governed by a state.

In general, I think there is a lot to be said for this *form* of argument. Rational customers will not buy cars that blow up when they are involved in minor fender-benders, and so rational, profit-maximizing firms will tend not to produce such cars. Usually.[11] But is there something special about the market for security? The argument that market anarchism will not produce excessive violence, like the argument that automobile markets will not produce exploding cars, depends on an assumption that consumers and producers will generally act *rationally*. When it comes to automobiles, that assumption is probably close enough to correct to generate the right outcome, most of the time. But is there something special about *violence*?

In what follows, I want to argue that there *is* something different about violence – actually that there are three important differences -- and that this fact significantly weakens the case for the young Molinari's claim that an anarchist society will be a peaceful one. The young Molinari's belief, I will argue, depends on an overly optimistic view of human nature that the later

Molinari and the later Spencer were correct to reject. When it comes to violence, we have good reason to expect bad things from human beings. A certain amount of pessimism is thus a perfectly rational response to the limited potential of humanity's crooked timber.

The first point I offer in support of this claim has to do with the alleged costliness of violence. It is true enough that most people, most of the time, regard engaging in violence as a costly and undesirable activity. But there are at least some circumstances where people seem to regard violence as a positive *benefit* – a kind of consumption good, as it were. Consider, to take only two very recent historical examples, the kind of brutal ethnic conflict that took place in Central Africa between roughly 1960 and 1994, or between the Serbs and the Croats in Bosnia and Herzegovina in the 1990s. Did the Hutus who hacked their Tutsi neighbors to death with machetes really consider those violent acts a *cost*? A burden to be borne, grudgingly, for the sake of some offsetting hedonic benefit? On the contrary, it seems much more plausible to say that, for them, the violence was a constitutive *part* of the hedonic benefit -- not an obstacle standing between them and their goal but *part of the goal itself*. And I suspect that the same is true of much of the violence involved in primitive tribal conflict, the Christian Crusades, and contemporary street-level gang violence. It is no doubt true that *some* of this violence served an instrumental purpose. But there's nothing incoherent about violence being both instrumentally and intrinsically gratifying, and I suspect that this is the best way of understanding the motivation of at least many of the perpetrators of these types of violence.

Second, even when violence is regarded as a cost, it is not always one that we can count on individuals to rationally weigh against expected benefits in determining their best course of action. Whatever one might think about the rational-actor model of humanity in general, it is a model into which much real-world violence can be fit only by pushing very, very hard. Take, for example, any episode of the once popular reality show *Cops*. Is the husband who gets drunk and beats up his wife for the third time this year rationally weighing the costs and benefits of his behavior? Is the meth-head who – *while in handcuffs* – tries to pick a fight with his arresting officer? These examples are cheeky, I admit. But the lesson is real. We know from our study of the

brain that aggressive impulses are correlated with a very different and much more primitive region than that responsible for rational calculation. So when we see on *Cops* that people often make strikingly irrational decisions about violence, or for that matter when we see on *Teen Mom* that people often make strikingly irrational decisions about sex, we should not be surprised.

The third and final point has to do with the *effects* of people's decision to use violence. By way of contrast, suppose that people make irrational decisions about what car to buy, and so end up purchasing vehicles that they later come to regret (because they break down, get poor gas mileage, or whatever). For the most part, the negative effects of their bad decision are internalized, and any external effects are relatively trivial. By contrast, the negative effects of decisions about the use of violence are largely *externalized* and can be devastating. Adam Lanza is only the most recent and tragic case in point. As a result, society has a much greater interest in preventing people from making bad decisions about violence than we do in preventing them from making bad decisions about cars.

These brief considerations do not, of course, settle the issue of whether some form of state is preferable to anarchy, all things considered. If the arguments I have presented are sound, then what they show is that an anarchist society will not be as peaceful, and hence will not be *as* desirable, as Molinari predicts. But it is possible, of course, that state-based societies might be even worse. If, after all, people are irrational and prone to violence, then this will be true of those who hold the reins of state power as well, and allowing such individuals access to the *concentrated* and *monopolistic* power of the state might very well magnify the damage they can do.

It is natural for the state-produced horrors of the 20th century to dominate our thinking about such matters. But we should resist the temptation of historical myopia. Stephen Pinker has argued persuasively[12] that even taking the hemoclysms of the first half of the 20th century into account, the world today is a much safer, much more peaceful place than it has ever been before. And a substantial portion of the credit for that fact, on his analysis, goes to the development of the modern state. In *absolute* terms, to be sure, more people die violent deaths in state-based societies than in stateless ones. But that's largely because there are more

people around to be killed today than there were in our anarchistic past. In *relative* terms, one's chances of dying a violent death in a state-based society are significantly lower than in a stateless one – somewhere between 6-25 percent as low, to be precise.[13] Anarchist societies may not have had nuclear bombs or concentration camps, but the constant raids, skirmishes, and low-level conflicts took a heavy cumulative toll.

Of course, the emergence of states isn't the only reason for the decline of violence over time. The development of commerce no doubt played a major role as well, by transforming human interaction from a largely zero-sum game into a largely positive-sum one. And one can, if one looks hard enough, come up with a few examples[14] of anarchist societies that were not so violent after all. But I suspect that most thinkers attracted to anarchism as a normative political ideal are not actually driven by a careful examination of the relevant empirical data. For most, the argument is an almost entirely *a priori* one. The theory comes first, and the search for supporting factual data comes only afterwards, if at all. For some, like Rothbard, anarchism is a conclusion that one can logically derive from the “axiomatic” *moral* principle of nonaggression. For others, like Molinari, the fundamental premises are *economic*, rather than moral, but the derivation is once again purely logical, and the conclusion is held with the same apodictic resistance to potentially falsifying evidence.

Anarchism of this sort thus demands from us an enormous confidence in the power of human reason to radically redesign and improve evolved social institutions. And it is precisely this sort of confidence that classical liberals have long warned us to be wary of. That kind of confidence is an example of the “unconstrained vision” that Thomas Sowell[15] found displayed so prominently in the work of the 18th-century anarchist William Godwin.[16] It is an example of the “false individualism” that Friedrich Hayek[17] saw manifesting itself in so much French social thought and that led him to dismiss anarchism as “but another product of the rationalistic pseudo-individualism to which [true individualism] is opposed.” And it is what Molinari's classical-liberal contemporaries Charles Dunoyer, Charles Coquelin, and Frédéric Bastiat[18] described as the “illusions of logic” that had led their friend and colleague so astray.

Perhaps, then, the later Molinari's apostasy from the gospel of anarchism was not so much a product of pessimism as it was the product of a life full of experience – experience that undermined the tidy certainty of his earlier syllogistic reasoning. The Molinari of 1899 was not ignorant of the many virtues of market arrangements. Nor were the Hayek of 1945, the Sowell of 1987, or the Dunoyer, Coquelin, and Bastiat of 1849. But they were wise enough to doubt that one could demonstrate the moral or economic imperative of “smashing the state” from the armchair. They would be more impressed, I suspect, with what Peter Boettke[19] has described as the “positive political economy of anarchism.” But even here, the best case for anarchism that can likely be made will be an incremental one, not a revolutionary one. If Pinker is right and the modern state is responsible for much of the peace and security that we enjoy today, then we ought to be very, very cautious about dismantling it.

Endnotes

[1] Gustave de Molinari, *Esquisse de l'organisation politique et économique de la Société future* (Paris: Guillaumin, 1899). English translation: *The Society of Tomorrow: A Forecast of its Political and Economic Organization*, ed. Hodgson Pratt and Frederic Passy, trans. P.H. Lee Warner (New York: G.P. Putnam's Sons, 1904). <<http://oll.libertyfund.org/titles/228>>.

[2] David Hart, “Gustave de Molinari and the Anti-Statist Liberal Tradition, Part 1,” *Journal of Libertarian Studies*, vol. 5, no. 3 (Summer, 1981), pp. 273, 282, 283.

[3] Herbert Spencer, chapter 19, “The Right to Ignore the State” in *Social Statics: or, The Conditions essential to Happiness specified, and the First of them Developed*, (London: John Chapman, 1851). <<http://oll.libertyfund.org/titles/273>>.

[4] George Smith, “From Optimism to Pessimism: The Case of Herbert Spencer, Part 4”, July 31, 2012, *Libertarianism.org* <<http://www.libertarianism.org/publications/essays/excursions/optimism-pessimism-case-herbert-spencer-part-4>>.

[5] Herbert Spencer, *An Autobiography by Herbert Spencer*. Illustrated in Two Volumes. (New York: D. Ap-

pleton and Company 1904). 2 vols. 1st ed. 1899. <<http://oll.libertyfund.org/titles/2322>>.

[6] Herbert Spencer, *An Autobiography*, vol. 2, Chapter LV. <http://oll.libertyfund.org/titles/2323#Spencer_1500-02_1176>.

[7] Herbert Spencer, *The Principles of Sociology*, vol. 3, 1874-96.

[8] Molinari, *Esquisse de l'organisation politique et économique de la Société future*, 1899.

[9] Molinari, "The Production of Security."

[10] See, for instance, David Friedman's *The Machinery of Freedom*, especially chapter 29.

[11] Mark Dowie, "Pinto Madness," *Mother Jones*, September/October 1977 <<http://www.motherjones.com/politics/1977/09/pinto-madness>>.

[12] Stephen Pinker, *The Better Angels of Our Nature: Why Violence Has Declined* (New York: Viking, 2011).

[13] This fact should not be especially surprising, especially to libertarians attracted to an Oppenheimerian "conquest theory" of the state. If states originated in order to allow their rulers to more effectively extract rent from their subjects, then it follows that rulers will have a strong incentive to suppress violence within their population. Every dead subject is, after all, a subject who can no longer be exploited. See Franz Oppenheimer, *The State: Its History and Development viewed Sociologically*, authorized translation by John M. Gitterman (New York: B.W. Huebsch, 1922). <<http://oll.libertyfund.org/titles/1662>>.

[14] David Friedman, "Private Creation and Enforcement of Law: A Historical Case" (1979). <<http://www.daviddfriedman.com/Academic/Iceland/Iceland.html>>.

[15] Thomas Sowell, *A Conflict of Visions: Ideological Origins of Political Struggles* (Basic Books; Revised edition 2007).

[16] William Godwin, *An Enquiry Concerning Political Justice, and its Influence on General Virtue and Happiness* (London: G.G.J. and J. Robinson, 1793). In 2 vols. <<http://oll.libertyfund.org/titles/169>>.

[17] Friedrich Hayek, "Individualism: True and False" in *Individualism and Economic Order* (Chicago: Henry Regnery, 1972. 1st ed. 1948). Available online at

<<http://mises.org/books/individualismandeconomicorder.pdf>>.

[18] [Possible author: Joseph Garnier, editor of the *Journal des Économistes*], "Question of the Limits of State Action and Individual Action." Discussed at the Society of Political Economy (1849). *Journal des Économistes*, vol. 24, no. 103 (15 October 1849), pp. 314-316. <<http://praxeology.net/JDE-LSA.htm>>.

[19] "11. Peter Boettke's Comment on Buchanan et al." [March 26, 2013] <<http://oll.libertyfund.org/pages/geoffrey-brennan-james-buchanan-an-assessment-march-2013#conversation11>>.

3. THE CONVERSATION

1. David D. Friedman's Comment: "A Problem for Radicals"

Many years ago I gave a talk on Robert Nozick's *Anarchy, State and Utopia* with Nozick in the audience. In the conversation that followed, he offered a different, and I think better, argument against anarchy than the one in the book: If market anarchy is a workable and attractive system under modern conditions, one would expect to see examples, and one does not. That is a problem not only for market anarchists but for radicals more generally: If your system works, why do we see no examples of it?

One possible answer is the one that Matt Zwolinski attributes to Molinari and Spencer—that their system would work if only people were better than they are, and will work when they become better. It reminds of an exchange somewhat earlier between Malthus and his critics. He had argued that if, as Godwin and Condorcet had predicted, the standard of living of the mass of the population became much higher than in the past, that would sharply reduce the cost of having children and hence the cost of sex, that humans enjoyed sex and so would have more of it if its cost were much lower, and that the resulting population increase would eventually drive real wages back down. Their response was that although present day humans might greatly value sex, the taste for such base pleasures would decrease with future human progress, eliminating the problem.

Malthus's response was first to point out that the world had already existed for over five thousand years and no such trend was yet observable, and second to ask what was base about the pleasure of sex, adding that connubial pleasure was inferior to intellectual pleasure only in its duration. I realize it doesn't have much to do with Molinari, but it's one of my favorite quotes and I can resist anything but temptation.

There are two other responses to Nozick's challenge that do not depend on an optimistic view of the moral progress of mankind. One is what modern economists call "path dependency." There might be multiple stable equilibria possible for human societies. Once stuck in one, getting to another is difficult, but if one somehow

got to the alternative set of institutions they also would be stable. There is no obvious mechanism to guarantee that, among the possible equilibria, real societies have to end up in the most attractive.

The other is that how institutions work depends on the surrounding technology, broadly defined. If economies of scale in rights enforcement run up to a firm size representing a large fraction of the market, you end up with a small number of firms and a serious risk that they will decide robbery is more profitable than selling services and combine to recreate government. If everything important happens online and the technology of public key encryption gives the defense in cyberspace an overwhelming advantage over the offense, on the other hand, market anarchy might turn out to be the natural equilibrium without anyone planning it. Other assumptions about other relevant technologies might prevent anarchy, guarantee anarchy, or leave both anarchy and the alternative as viable options.

My response to Nozick and to others who have made the same argument since is to imagine myself back in 1800, with a different radical political system to propose—a mass franchise democracy with equal rights for men and women and a government controlling nearly half of all income. My critics could point out, correctly, that such a society had never existed in the history of the world.

If market anarchy requires some substantial improvement in human morality, we may have a very long wait before we see it. If it depends on changing technology, in a world in which technologies are changing with dizzying speed, we might get it next decade. Or next century. Or never.

2. David D. Friedman's Response to Gary Chartier: "Wishful Thinking"

Gary writes:

"Thus, *in a competitive labor market*, firms that want to attract workers will be incentivized to offer greater freedom and dignity as means of securing the best employees. By contrast, of course, in a not-so-competitive labor market, like the one we in fact have now, firms will have little incentive to institute policies that safeguard workers' freedom and dignity as a means of recruiting effectively."

Consider the simplest example of a noncompetitive labor market—an industry with only a single employer. As long as he is paying wages above subsistence, as essentially all employers in a modern developed economy are, he faces a tradeoff between the working conditions he provides and wages he pays. If he changes the working conditions in a way that is valuable to potential employees, he can get them at a lower wage. If he changes them in a way they disvalue, he will have to pay a higher wage. It is the net advantage as evaluated by potential employees, the combined attraction of wage and working conditions, that determines whether or not they will accept his offer. Hence Gary's claim is as true of a monopsony as of a perfectly competitive industry. His implication that this is one of the advantages of a competitive labor market is false.

He goes on to summarize the familiar diseconomies of scale that give organizational advantages to smaller firms—fewer layers of administration between the CEO and the factory floor. The obvious conclusion is that the size of firms reflects the balance between such diseconomies of scale and economies of scale. For readers interested in the subject, I recommend Oliver Williamson's old book *Market and Hierarchy* (1975), which goes into some detail, with historical evidence, on the tradeoffs.

It is possible that, as Gary suggests, big government results in making firms bigger, but one can tell an equally convincing story in the other direction. The larger a firm is, the more it requires a flow of information up and down the hierarchy, information that can be used by a government to control it and its participants via taxation and regulation; that is probably one reason why criminal firms tend to be small. Hiding income from taxation by misrepresenting costs of con-

sumption as costs of production—classifying your private vehicle as a company car, for instance, and its costs as a business expense—is easier in a small firm than a large one, so high levels of taxation may well push down the equilibrium size of firms.

The rest of Gary's argument has the same ad hoc character. Getting rid of government might make all of us richer. But there is no good reason to believe that it would make firms smaller or employers more responsive to the desires of their employees.

3. Gary Chartier's Reply to David Friedman

In *The Machinery of Freedom*, David Friedman offers some observations about the possible shape of productive activity in a stateless society.

Goods might be produced by giant, hierarchical corporations, like those that now exist. I hope not; it does not strike me as either an attractive way for people to live or an efficient way of producing goods. But other people might disagree; if so, in a free society they would be free to organize themselves into such corporations.

Goods might be produced by communes, group families, inside which property was held in common. That also does not seem to me to be a very attractive form of life. I would not join one, but I would have no right to prevent others from doing so.

My own preference is for the sort of economic institutions which have been named, I think by Robert LeFevre, agoric. Under agoric institutions almost everyone is self-employed. Instead of corporations there are large groups of entrepreneurs related by trade, not by authority. Each sells, not his time, but what his time produces. . . .

The actual arrangements by which the market provides an economic good, be it food or police protection, are the product of the ingenuity of all the entrepreneurs producing that good. It would be foolish for me to predict with any confidence what will turn out to be the cheapest and most satisfactory ways of producing the services now produced by government. . . .[1]

Sharing Friedman's view that a production model dominated by large corporations features neither "an attractive way for people to live [n]or an efficient way of producing goods," I find Friedman's analysis quite congenial. I also share his view that one cannot be dogmatic about what a society liberated from state-secured privilege might look like. But I am at least a little less inclined than he is, in his contribution to this *Liberty Matters* symposium on Molinari, to think I'm engaged simply in wishful thinking when I suggest that the concerns that prompt Molinari to propose labor exchanges could be addressed simply by eliminating state-secured privileges.

Perhaps the large hierarchical corporation will persist in the state's absence. Friedman is right that I hope it won't, and no doubt confirmation bias is a factor in my evaluation of the relevant evidence. But I still think there's reason to be optimistic.

My case for a future in which a much greater percentage of people could be expected to work in sole proprietorships, partnerships, and cooperatives includes several elements:

Being treated well at work is a consumer good, one for which people might be expected to pay something. The more affordable it is, the more people will be inclined to buy it. Several things might make it more affordable:

If self-employment is less risky than at present, people might find it easier to choose to work for themselves. Reduced health-care costs, reduced costs associated with working at home (created by an end to zoning rules, licensing requirements, and building codes), and similar factors could be expected to make it safer to work for oneself.

The realistic availability of self-employment would increase competitive pressure on employers to recruiting workers, and providing greater opportunities for participation and greater dignity at work would be one way of attracting them. Obviously, some workers might prefer higher salaries, but the market could presumably meet both sets of needs.

Removing state-driven burdens on economic activity would presumably boost productivity generally and raise average incomes. Compare changes in working conditions—e.g., the emergence of the 40-hour week, increased workplace safety, etc. As prosperity increased,

things people might have thought of as luxuries became increasingly affordable, and therefore more widely available.

Remedying past instances of state-perpetrated and state-tolerated injustice and making state-engrossed and similar assets available for homesteading might be expected to boost the wealth of some workers and thus, again, to increase their ability to secure more attractive working conditions.

Large hierarchical organizations face persistent informational and incentival problems similar to those confronted by state bureaucracies. Thus, other things being equal, smaller, more flexible alternatives might be expected to out-compete them in virtue of diseconomies of scale—a point Friedman seems to acknowledge when observing that corporate production doesn't seem to be "an efficient way of producing goods." If it's not efficient, why does it persist? One possibility is that features of business culture dispose most people, including (perhaps especially) major investors, to see existing hierarchical business models as inevitable or desirable. Another is that the full force of the informational and incentival problems isn't being felt in today's economy. I sought to explore the latter possibility in my initial contribution to the symposium, suggesting that the state rigs the game in favor of hierarchy.

Friedman is unconvinced. He offers several reasons for his skepticism:

- He notes that employers always face the choice between offering higher wages and offering various nonwage incentives to workers, so that if workers in today's economy (say) really wanted more participatory workplaces badly enough to accept lower wages in exchange for them, the market would provide such workplaces. That they do not suggests, he seems to imply, that there is little market demand on the part of workers for greater participation.
- He proposes that we might reasonably conclude that the economies of scale yielded by the contemporary hierarchical corporation outweigh the associated diseconomies of scale.
- He notes that state action may in fact encourage reductions as well as increases in firm size.

If workers don't care very much about participatory workplaces or opportunities for self-employment, I have no burden to force them to create such workplaces. Let a thousand flowers bloom! But it seems per-

fectly sensible to think, given that workers do report some interest in such workplaces,[2] that if the affordability of noncorporate employment increased, more workers would choose it. State action makes such alternatives less affordable both by increasing the costs of and the risks associated with self-employment and by decreasing workers' incomes by decreasing overall wealth levels.

I don't doubt that state action can be seen as pressuring firms to reduce as well as increase in size. And, ignoring cultural-cum-psychic factors, no doubt the balance between economies and diseconomies of scale achieved by corporations in today's economy is efficient in that economy. But the question, of course, is why we ought to think that a similar balance would obtain were the state absent. I am prepared to wager that it wouldn't, that the factors I note in my original contribution to the symposium, addressed in much greater detail in Kevin Carson's *Organization Theory*,[3] would make for a significantly different pattern of worklife in a free society. But, like Friedman, I don't propose to be dogmatic. I think it is also reasonable, though, for me to note, as he does, both that corporate hierarchies don't seem to be efficient or appealing, and to hope and work for their replacement by more flat and flexible arrangements for organizing work.

Endnotes

[1] David D. Friedman, *The Machinery of Freedom*, 2d ed. (Chicago: Open Court 1989). The quoted passage is from the chapter, "In Which Prediction is Reduced to Speculation"; I draw here on the on-line version, available at <http://davidfriedman.com/The_Machinery_of_Freedom_.pdf>.

[2] See, e.g., Richard B. Freeman and Joel Rogers, *What Workers Want* (Ithaca, ILR 2006).

[3] Kevin A. Carson, *Organization Theory: A Libertarian Perspective* (Charleston, S.C.: BookSurge, 2008), on-line at <http://www.scribd.com/doc/53649743/Organization-Theory-A-Libertarian-Perspective-by-Kevin-a-Carson>.

4. David M. Hart's Comment on Gary Chartier

It is good that Gary Chartier focuses on Molinari's concern for the problems of the average worker in France in the 1840s, because this is one very important component of his unusual form of liberalism. Unlike the "top down" concerns of liberal conservatives like Edmund Burke and Alexis de Tocqueville, who were most worried about the continuity of institutions of dubious legitimacy and "law and order" (or rather "ordered liberty" whatever that might mean), Molinari and his fellow liberals like Frédéric Bastiat were very much concerned with what you might call "bottom up" liberty -- the rights and liberties of, and the injustices faced by, ordinary working people. As a young journalist trying to make ends meet in Paris in the early 1840s, Molinari was attracted by three things: the agitation for free trade (in order to get cheaper and more reliable food supplies to the people), slavery and serfdom (the worst forms of exploitation of the weakest members of society), and the right of workers to form associations in order to better themselves. These issues were the first things he wrote on.

Regarding workers, he and Bastiat were very concerned about the legal restrictions the state placed on workers to prevent them forming all kinds of voluntary associations. The most obvious restriction was the ban on forming unions and collectively bargaining for wages and conditions with employers. Technically the law also applied to business owners, but it was selectively applied, thus shutting out workers from the benefits of forming associations. Bastiat, Molinari's close friend and colleague, protested this in the Chamber in 1848 and vigorously defended the right of all individuals to associate and speak their minds, whether they were workers or employers. Molinari got a start in journalism by covering a notorious court case involving carpenters and writing articles about the perversity of the application of the anti-association law. This began his life-long interest in labor exchanges as one way of overcoming this form of legal discrimination.

A second worker-related matter was the nonwage aspect of worker associations, namely, the right to form self-help or friendly societies in order to provide mutual assistance for things like unemployment insurance and medical help, or even just recreational activities. Moli-

nari and Bastiat were aware that such groups were then forming in England and that, as in so many things, France was late to the party because of excessive regulation and bureaucracy. In one of his witty chapters in *Economic Sophisms* (“The Lower Council of Labor,” ES2 IV [1847?])[1] Bastiat mocks the official government-supported Superior Councils of Industry, which allowed manufacturers and landowners to get together to discuss their mutual concerns and lobby the government for benefits, but which deliberately excluded what Bastiat calls the “proper workers, serious workers” like joiners, carpenters, masons, tailors, shoemakers, dyers, blacksmiths, innkeepers, and grocers. Since they were prevented from forming their own “Council” (in the story Bastiat has them form a sarcastically named “Lower Council of Labour”) they therefore founded a mutual-aid society in their local village. Unfortunately Bastiat does not provide us with any more details about its activities.

A third worker-related interest was the restrictions on forming limited-liability companies and partnerships under French law, which were not loosened until 1867. It was expensive and time-consuming to form a business, often requiring special government legislation to do so. Molinari, being brought up in the Say school of political economy, was fascinated by the possibilities of entrepreneurship. He believed that, if given a legal chance, legions of French entrepreneurs would spring up to organize themselves into profit-making activities. In the *Soirées*, for example, he mentions at least 11 different types of entrepreneurial activity. Most of these referred to fairly traditional, large-scale entrepreneurs engaged in manufacturing, heavy industry, and textiles, but there were also a number of entrepreneurial activities for opportunistic members of the middle or working class, or what he called the “working class entrepreneur,” some of which are quite surprising and revealing of his thinking. These included “entrepreneurs de prostitution” (entrepreneurs in the prostitution business), “entrepreneurs d’éducation” (entrepreneurs in the education business), “entrepreneurs de roulage” (entrepreneurs in the haulage business), “entrepreneurs d’industrie agricole” (entrepreneurs in the agriculture industry), “entrepreneurs de diligences” (entrepreneurs in the coach business), “entrepreneur de pompes funèbres” (entrepreneurs in the funeral business), and most intriguingly “le laborieux

entrepreneur, naguère ouvrier” (entrepreneurs who have emerged from the working class).

I know of no other 19th-century political economist who envisaged such a broad spectrum of economic activities in which members of the middle and working classes could succeed as entrepreneurs if only the clutter of legal privileges and restrictions could be removed. What is of most interest to the poorest members of society were his ideas for turning every French farmer into an “agricultural entrepreneur” by scrapping the compulsory division of property under the inheritance laws. This would allow successful farmers to buy and sell land as they saw fit in order to create profitable enterprises, as well as having international free trade in order to sell their produce to whomever they pleased. The reform would also allow any teacher to set up his or her own school and seek business from among local families; allow any owner of a horse and cart to compete in offering services in the haulage and transport industry; and allow business-minded women to own and operate their own brothels as profit-making enterprises (prostitution was legal but heavily regulated by the state and women were banned from running brothels, forcing many of them to set up “dummy businesses” run by a male front man in order to stay in business).

Of course Molinari imagined that many successful entrepreneurs would emerge from the working class, as his final category strongly suggested -- “le laborieux entrepreneur, naguère ouvrier” (entrepreneurs who have emerged from the working class, in other words “working class entrepreneurs”). I think that, as in so many areas, Molinari realized that the opportunities for freely forming businesses and associations of all kinds were much greater in England and the United States especially, and these remained the ideal for the time being as far as he was concerned.

Endnotes

[1] Frédéric Bastiat, *Economic Sophisms*, trans. Arthur Goddard, introduction by Henry Hazlitt (Irvington-on-Hudson: Foundation for Economic Education, 1996). Second Series, Chapter 4: Subordinate Labor Council. <http://oll.libertyfund.org/titles/276#f0182_head_062>.

5. David D. Friedman’s Comment on Matt Zwolinski: “Anarchy and Violence”

Matt Zwolinski offers three arguments in support of Molinari’s pessimism, late in his life, about going all the way to market anarchy. The first is that violence is sometimes a pleasurable consumption activity, the second that individuals are particularly irrational with regard to violence, the third that violence imposes external costs.

My response to the first is that the argument for why rights-enforcement firms would be unlikely to use violence against each other does not depend on there being no goons available for hire who enjoy shooting people, only on there being few goons who enjoy being shot. Unless one agency has a large advantage over another, each should be able to make conflict costly for its opponent. That corresponds to my standard example of private property in the animal kingdom—territorial behavior. The reason why a trespassing bird or fish usually backs off when confronted by the “owner” of the territory is that, unless the inequality of strength is large, a fight to the death is a loss for both participants.

It is possible that individuals are less rational about violence than about other things, although what looks like irrational behavior may be a result of the sort of hardwired commitment strategies that, in my previous example, allow the claimant to retain his property, usually without fighting for it—irrational *ex post*, rational *ex ante*. But the violence at issue here is between firms, not individuals. If I am correct in believing that interagency violence is an unprofitable business strategy, we would expect over time that firms that failed to control such irrationality by their employees would lose out to those that succeeded.

Violence imposes external costs. That implies that individual rationality will not automatically produce the optimal level of violence—and, under current institutions, it doesn’t. But, as Ronald Coase pointed out quite a long time ago, the existence of externalities does not lead to inefficient outcomes if transaction costs are sufficiently low. The violence relevant to Matt’s argument is violence between rights-enforce-

ment agencies, pairs of firms engaged in long-term repeat dealings with each other. That is a context in which we would expect transaction costs to be low, making it possible for the parties to bargain to something close to the optimal outcome, which in this case means little or no violence.

Finally, Matt writes:

“Anarchism of this sort thus demands from us an enormous confidence in the power of human reason to radically redesign and improve evolved social institutions.”

That might be true of the version of anarchism encapsulated in Rothbard’s line about ending the state by pushing a button, but it is not true of either my version or Molinari’s, since neither of us is proposing to instantly instantiate our vision. My view is, and I think Molinari’s pretty clearly was, that the way to get to a stateless society is by a process of gradual evolution within the structure of existing institutions. Ideally, as in Stephenson’s *Snow Crash*, when the state finally ceases to be relevant nobody notices.

6. Roderick T. Long’s Reply to Matt Zwolinski: “Molinari, Rationalism, and Anarchy”

Thanks to Matt, David F., David H., and Gary for their excellent and thoughtful contributions. Since Gary’s and David H.’s comments leave me nothing to disagree with, and David F.’s with very little – and the only real disagreement with me that David F. raises (about the reasons for the dominance of large hierarchical firms) is already preemptively addressed in Gary’s piece – I’ll focus my remarks on Matt’s response. I don’t feel too guilty about this, since I expect that Gary and the Davids will have plenty to take issue with, both in Matt’s piece and in one another’s.

Matt speculates that Molinari retreated from an anarchist position not so much because of public goods worries as because of a pessimism inculcated by life experience that undercut the confident rationalism of his youth; and Matt further suggests that Molinari may have been right so to retreat.

But Matt's picture of the Molinari of 1849 as possessing an unrealistically rosy view of human motivations, and as having excessive confidence in the power of reason to remake society – a utopian idealism to be tempered by the sadder and wiser Molinari of 1899 – seem hard to square with what we actually find in Molinari's early writing. After all, it is in 1849, not 1899, that Molinari describes the "sense of justice" as "the perquisite of only a few eminent and exceptional temperaments," and ridicules the assumption that "human reason has the power to discover the best laws" – both passages helpfully quoted in David F.'s contribution.[1] (Hayek's indictment of French liberalism as being a hotbed of constructive rationalism is notoriously difficult to substantiate with reference to actual French liberal thinkers; see, e.g., Ralph Raico's *Classical Liberalism and the Austrian School*, especially chapter 6.)[2]

I also think the parallel that Matt draws between Molinari and Spencer is misleading. Both, to be sure, were pessimistic about the coming 20th century, which they expected to be dominated by state socialism and war. (For their predictions, see David H.'s discussions here[3] and here.[4] But Spencer believed that a prerequisite for the achievement of an anarchist society was a transformation of human nature, a transformation that was slowly but surely being wrought by the evolutionary process; so any evidence of inadequate moral development in human society would therefore be a reason to think anarchism unviable for the near future. But Molinari's model of anarchism was based on the application of economic incentives to human beings as they already are; and his account of historical development, though bearing the clear impress of Spencer's influence, differs from Spencer's in stressing economic over moral evolution; hence Molinari lacks Spencer's reasons for doubting anarchism's short-term viability.

Nor does *The Society of Tomorrow*[5] – the 1899 work in which Molinari repudiates his earlier anarchism -- show the *kind* of pessimism needed to support Matt's hypothesis. After all, one of the chief themes of the work is that the factors that have been driving war are finally disappearing.

I don't see why we shouldn't take Molinari's own word as to why he turns toward monopoly provision in 1899 – namely the public-goods problem:

The first duty of government is to ensure internal and external security to nation and citizen alike. Services proper to it differ essentially from those of the private association for they are naturally *collective*. Armies secure an entire nation from external aggression, and a police force exists for the equal benefit of all who inhabit the district which it serves. It is therefore no less necessary than just that all consumers of these naturally *collective* services should contribute to their cost in proportion to the service rendered and the benefit received. The failure of one consumer to bear his quota of the costs of such production reacts on the entire community, who are compelled to bear a proportion of his defalcations over and above their own contribution. [*Society of Tomorrow*, part II, ch. 3.]

Molinari was writing at a time when – by contrast with today – little work, either theoretical or historical, had been done on nonstate provision of public goods, so his doubts are hardly mysterious.

The charge of excessive rationalism is one that Matt brings against Molinari's contemporary anarchist successors as well. Matt attributes to anarchists "an enormous confidence in the power of human reason to radically redesign and improve evolved social institutions." But what anarchists seek is to withdraw support from the state – i.e., from an ongoing project of massive constructivist intervention into and reshaping of evolved social institutions – and turn social order over instead to spontaneous evolution (at least in the consensual and polycentric senses, and to a considerable extent in the emergent sense as well; for these three senses see Part IV of this piece).[6] If seeking a radical decrease in constructive rationalism and a radical increase in spontaneous order counts as constructive rationalism and a distrust in spontaneous order, it is at least constructive rationalism of a nonstandard sort.

Matt further argues that violence is a "consumption good" for many people; and even when it is not, its costs are ones that people often fail to "rationally weigh against expected benefits in determining their best course of action." Well, sure. And it's true enough that when the demand for violence is inelastic enough, anarchy will not prevent it. *But neither will the state*. Indeed, when there are hierarchical states, people with an appetite for violence manage to find their way into positions of power within them, from abusive cops and prison guards to presidents who rain death down on

children while quipping about WMDs[7] and predator drone strikes.[8] Surely increasing the costs of violence is a better bet than decreasing them; to the extent that the demand for violence is elastic, we'll be better off, and to the extent that the demand for violence is inelastic, we'll at least be no worse off. Matt points out the externalities that violence imposes on others; but the anarchist point is that states make it easier for those who choose violent to externalize onto others costs of violence that would otherwise fall upon the agent.

In any case, economic incentives to choose arbitration over violence are often effective even when the prospects for optimism look most bleak. Consider medieval societies like Iceland and Anglo-Saxon England, in which the system of blood feud, initially pervasive, was gradually eroded by a polycentric, restitution-oriented legal system – showing that economic incentives can manage to tame even societies of quarrelsome Vikings who glorified revenge as a matter of honor. Or consider Somalia, riven by civil war, that has nevertheless achieved, under statelessness a more peaceful and prosperous condition than either its state-ridden neighbors or its own state-ridden past (see here[9] and here. [10] The advantage of anarchic competition is that it tends to do better with any given level of economic and cultural development (and of bloodthirstiness) than monopoly states would do with that same level, because by increasing the costs of violence and the benefits of cooperation, it exploits to a greater degree whatever cooperative potential exists in the society.

As for Matt's appeal to Steven Pinker's thesis that states make for less violence, I find Pinker's reliance on percentages problematic (does one murder in a population of a hundred really constitute a level of violence equal to ten thousand murders in a population of one million?), and there are reasonable concerns that he whitewashes recent state action.[11]

Matt speculates that "most thinkers attracted to anarchism as a normative political ideal are not actually driven by a careful examination of the relevant empirical data." Perhaps so; but examining the data we offer and psychologizing about our motivations for offering it are two different things, and the latter is no substitute for the former.

Endnotes

[1] *Readings* p. 111, from "The Production of Security."

[2] Ralph Raico, *Classical Liberalism and the Austrian School*, Forward by Jörg Guido Hülsmann, Prefce by David Gordon (Auburn, Alabama: Ludwig von Mises Institute, 2012). Chapter 6 "The Centrality of French Liberalism", pp. 219-53. <<http://library.mises.org/books/Ralph%20Raico/Classical%20Liberalism%20and%20the%20Austrian%20School.pdf>>.

[3] David M. Hart, "The Future of Individual Liberty: Classical liberals confront the New Century (1900 and 2000)" [5 July, 2000]. A Paper presented at the Australian Historical Association 2000 Conference "Futures in the Past" at the University of Adelaide, Adelaide, South Australia, 5-9 July, 2000. <<http://www.davidmhart.com/liberty/Papers/FutureOfLiberty1900.pdf>>.

[4] David M. Hart, "Gustave de Molinari and the Future of Liberty: "Fin de siècle, fin de la liberté?" (This is the draft of a paper written in April 2001). <<http://www.davidmhart.com/Papers/MolinariFutureOfLiberty2001.pdf>>.

[5] Gustave de Molinari, *The Society of Tomorrow: A Forecast of its Political and Economic Organization*, ed. Hodgson Pratt and Frederic Passy, trans. P.H. Lee Warner (New York: G.P. Putnam's Sons, 1904). <<http://oll.libertyfund.org/titles/228>>.

[6] Charles Johnson, "Women and the Invisible Fist. How Violence Against Women Enforces the Unwritten Law of Patriarchy," Molinari Institute (Auburn, Alabama, Version 2012.1019). <<http://charleswjohnson.name/essays/women-and-the-invisible-fist/women-and-the-invisible-fist-2012-1019-max.pdf>>.

[7]"Bush jokes about Weapons of Mass Destruction", youtube.com, Uploaded on Jan 3, 2009 <http://www.youtube.com/watch?v=mdDp_jlgC9M>.

[8] "Obama Jokes About Killing Jonas Brothers With Predator Drones", youtube.com, Uploaded on May 2, 2010 <<http://www.youtube.com/watch?v=WWKG6ZmgAX4>>.

[9] Benjamin Powell, Ryan Ford, Alex Nowrasteh, "Somalia after state collapse: Chaos or Improvement?"

Journal of Economic Behavior and Organization, 67 (2008) 657–670. <<http://www.benjaminwpowell.com/scholarly-publications/journal-articles/somalia-after-state-collapse.pdf>>.

[10] Peter T. Leeson, "Better off stateless: Somalia before and after government collapse," *Journal of Comparative Economics*, 35 (2007) 689–710. <<http://usu.kochscholars.usu.edu/files/2012/11/Better-Off-Stateless.pdf>>.

[11] Edward S Herman and David Peterson, "Reality Denial: Steven Pinker's Apologetics for Western-Imperial Violence" *ZNet*, Wednesday, July 25, 2012 <<http://www.zcommunications.org/reality-denial-steven-pinkers-apologetics-for-western-imperial-violence-by-edward-s-herman-and-david-peterson-1>>.

7. David M. Hart's Comment on Matt Zwolinski: "On Molinari and Spencer"

Like Matt Zwolinski, I too was struck by the similarities between Molinari and Spencer because they appeared to jettison their youthful radicalism and embrace a more bitter and pessimistic view of the prospects for liberty as they aged. They were close contemporaries: Spencer (1820-1903) and Molinari (1819-1912) lived into their 80s and 90s. Perhaps that will be the fate of us all if we live that long!

I think there are a number of reasons for this pessimism. The first is the obvious failure of the prospect that a free society would be achieved by converting everybody to a pro-liberty, pro-property position. This was perhaps plausible in the 1840s with the success of Richard Cobden's Anti-Corn Law League in abolishing protectionism in England. It then seemed that the further progress of the liberty agenda was unstoppable. These hopes were dashed when the Anti-Corn Law League abolished itself and the momentum for further reform was lost. In France the rise of socialism in the 1848 Revolution and then the coming to power of yet another Napoleonic dictator soon put paid to the hopes of the French classical liberals. Such was his disillusion that Molinari left the country in disgust and set up shop in Belgium for nearly 20 years.

An initial fallback position that Molinari and Spencer both adopted was to postulate an evolutionary inevitabilism, where the gradual evolution of free institutions would come about as a result of a deeper underlying evolution of societies from war, conquest, and plunder towards free-market industrialism (in the case of Molinari) or from simpler militant societies to complex industrial societies (in the case of Spencer). By the mid-1880s, for both men this initial fallback position was also shown to be too optimistic, as the reappearance of protectionism and the rise of labor and socialist parties domestically, and the rise of militarism and imperialism in foreign affairs clearly indicated. What had originally seemed inevitable and unstoppable proved to be neither. It is thus not surprising that both men began to express in increasingly strident tones their pessimism and fear for the future -- Molinari in some deeply pessimistic remarks in a new edition of a book about protection and democracy, *Conversations sur le commerce des grains et la protection de l'agriculture* (1886), [1] and Spencer in *The Man versus the State* (1885), containing "The New Toryism," "The Coming Slavery," "The Sins of Legislators," and "The Great Political Superstition".[2]

What both men did not grasp is that a society does not need unanimity of belief in order to function. What is needed is a critical mass of liberty-loving people and institutions that have incentives which reward peaceful and productive behavior and which penalize violent and nonproductive behavior. What this critical mass of liberty-loving people is we still do not know, but today we know a lot more about how incentives operate (especially at the margin).

However, what they both fully grasped, and what is still the bane of the struggle for liberty in the present day, is that the rise of mass democracy completely changed the nature of the game. It was no longer a struggle between two easily identifiable classes, the small ruling elite of exploiters and the tax-paying mass of ordinary people, but a democratic society with multiple groups of vested interests that compete for the spoils of office, while the professional politicians act as brokers in the dispensation of the spoils. Bastiat called this situation as early as 1848 "the great fiction," meaning that everybody thought they could now live at the expense of everybody else. (See his essay "The State" (1848).)[3] We are now living through an important historical moment when the truth of this statement

is finally being actualized -- as the welfare states of Europe and America go through their paroxysms of sovereign-debt crisis and economic stagnation.

Another thing that both Molinari and Spencer realized was that they were living through a period when a very dangerous new coalition of vested interests was being forged, one that would have cataclysmic consequences in the 20th century. This was a new coalition of the traditional ruling elites from the military and wealthy elites in agriculture and industry, which benefited from tariffs and government contracts, and working-class groups represented by labor and socialist parties in Parliament. Whether it was Victorian England, Third Republic France, Bismarck's Second Empire in Germany, or post-World War II America, the results would be very similar -- imperialism and militarism abroad and the welfare state at home. Molinari and Spencer were prescient enough to see this coalition on the historical horizon and were worried by what they could see of the future.

Endnotes

[1] Gustave de Molinari, *Conversations sur le commerce des grains et la protection de l'agriculture* (Nouvelle édition) (Paris: Guillaumin, 1886).

[2] Herbert Spencer, *The Man versus the State, with Six Essays on Government, Society and Freedom*, ed. Eric Mack, introduction by Albert Jay Nock (Indianapolis: LibertyClassics, 1981). <<http://oll.libertyfund.org/titles/330>>. "The New Toryism" <http://oll.libertyfund.org/titles/330#lf0020_head_010>, "The Coming Slavery" <http://oll.libertyfund.org/titles/330#lf0020_head_011>, "The Sins of the Legislators" <http://oll.libertyfund.org/titles/330#lf0020_head_012>, and "The Great Political Superstition" <http://oll.libertyfund.org/titles/330#lf0020_head_013>.

[3] *The Collected Works of Frédéric Bastiat. Vol. 2: The Law, The State, and Other Political Writings, 1843-1850*, Jacques de Guenin, General Editor. Translated from the French by Jane Willems and Michel Willems, with an introduction by Pascal Salin. Annotations and Glossaries by Jacques de Guenin, Jean-Claude Paul-Dejean, and David M. Hart. Translation Editor Dennis O'Ke-

ffe. Academic Editor, David M. Hart (Indianapolis: Liberty Fund, 2012). Chapter 7: The State <http://oll.libertyfund.org/titles/2450#lf1573-02_label_183>.

8. David M. Hart's Comments on David Friedman and Some Historical Examples

It is a great pity that Molinari never had a chance to read the work of James Buchanan, Murray Rothbard, or David Friedman. I for one would be most intrigued to see what he would have done with their ideas. Nevertheless, given the state of economic knowledge in the mid-19th century, it is amazing that he even had the glimmer of a premonition of an anarcho-capitalist society. Admittedly it was based on little more than his moral absolutism (that it is morally wrong to force people to pay for "services" provided by the state) and an economic hunch that the institutions which would provide protective services would be very similar to other enterprises that had already emerged to satisfy consumer demand in the free market. The actual mechanism of how this would operate he left opaque. David Friedman is quite correct to point out that Molinari lacked the historical knowledge we now have of how nonstate groups had solved these problems in the past and how the law might evolve to meet the more complex needs of a commercial, property-owning society where a centralized state was very weak or nonexistent. I wonder what he would make of Peter Leeson's work on the social and legal institutions created by pirate bands.[1] Somehow I don't think he would have been very surprised.

However, I would like to point out that Molinari did have access to some historical examples that gave him some confidence to make his assertions about what an anarcho-capitalist society would look like and how it might function. For example, in *Soirée no. 3* he discusses the private supply of a number of public goods such as water and gas in London, the charging of tolls on privately owned turnpikes in England and the United States, local or community control of rivers and waterways, and so on. I see this as an essential chipping away of the notion that only the state can provide public goods, and if these can be privatized, why not (in

theory) other public goods like police and national defense as well?

A second historical example can also be found in *Soirée no. 3*, where he discusses land ownership in California during the gold rush. At that time California had not yet been fully incorporated into the United State and Mexican legal habits still prevailed. It was during this period of legal limbo that Molinari observed that mining land law continued to operate and evolve without the state in order to satisfy the pressing needs of the ever-growing number of miners in that territory.

A third historical example he would have been aware of was the history, pioneered by Augustin Thierry, of the free medieval cities. Thierry had been active in liberal circles during the Restoration, when he worked for Charles Comte and Charles Dunoyer's magazine *Le Censeur européen* and had absorbed their ideas about liberal class analysis. Thierry went on to become an historian and archivist during the July Monarchy and edited a large collection of documents published as the *Recueil des monuments inédits de l'histoire du Tiers état* (1850-1870). His writings such as *Dix ans d'études historiques* (1834), *Lettres sur l'histoire de France* (1827), and *Essai sur l'histoire de la formation et des progrès du Tiers état* (1850) would have been well known to the liberals of Molinari's time. One of Thierry's interests was the legal and constitutional foundations of the medieval free cities, especially the charters which formed the legal basis for their operation and which he discovered in the archives and republished. Although Molinari does not make any specific reference to Thierry's work I'm sure he would have been aware of his writing on the new cities' practice of "shopping around" for a suitable charter from the many that already existed (that of the city of Magdeburg was popular and adopted by many other cities) in a process that suggests a form of competition among legal systems.

A final point I would like to make is that Molinari might have been the first political economist to have suggested how institutions like insurance companies operating in a competitive free market might provide security services, but he was not the first classical liberal to argue that much broader economic and social forces, broadly known as "industrialism," were at work and would eventually so corrode and undermine the large political entities that had controlled the world for hundreds of years that they would collapse and fragment

into much smaller units. While Thierry was busy exploring the legal history of the free medieval cities, his mentor Dunoyer wrote two books during the 1820s[2] in which he showed how America provided the model for how liberty and industrialism would "municipaliser le monde" (municipalize the world). By this he meant that as industrial societies advanced, they would reach a point where all large political structures would break down into smaller municipalities of self-governing cities and their hinterlands. As he put it:

There are absolutely no forces at work in the industrial system which require such vast associations of people. There are no enterprises which require the union of ten, twenty or thirty million people. It is the spirit of domination which has created these monstrous aggregations or which has made them necessary. It is the spirit of industry which will dissolve them -- one of its last, greatest and most salutary effects will be the "municipalisation of the world." Under the influence of industry people will begin to govern themselves more naturally. One will no longer see twenty different groups, foreign to each other, sometimes scattered to the four corners of the globe, often separated more by language and customs than by distance, united under the same political domination. People will draw closer together, will form associations among themselves according to what they really have in common and according to their true interests. Thus these people, once formed out of more homogeneous elements, will be infinitely less antagonistic towards each other. No longer having to fear each other, no longer tending to isolate themselves, they will no longer be drawn so strongly towards their political centres and be so violently repelled from their borderlands. Their frontiers will cease to be dotted with fortresses. They will no longer be bordered by a double or triple line of customs officials and soldiers. Some interests will continue still to unite the members of the same association of people -- a community of an especially similar language or closely shared customs, or regions which are habituated to drawing their ideas, laws, fashion, and behaviour from the adjacent capital cities. But the shared interests of these groups will continue to distinguish them from other groups without being a source of enmity. One day, in each country, the time will arrive when the inhabitants closest to the frontiers will have more communication with their foreign neighbours than with their further removed compatriots. Thus there will occur a con-

tinual fusion of the inhabitants of one country with those of other countries. Each individual will employ their capital and labour wherever they might see the best means of increasing it. In this way, the same economic practices will be adopted with equal success among all people; the same ideas will circulate in all countries; differences in customs and language will tend in the long run to disappear. At the same time, a multitude of localities will acquire greater importance and will feel much less need to be closely tied to their capital cities. They will become in their turn administrative centres. Centres of activity will be multiplied. Finally, even the largest countries will reach a point where they will be able to present to the world a single people, composed of an infinite number of uniform associations, among which will be established without confusion and without violence the most complicated relations. At the same time, these relations will be the easiest, the most peaceful and the most profitable imaginable. [Dunoyer, *L'Industrie et la morale* (1825), p. 366-7, fn 1.]

What is interesting to note here is that this radically decentralist position of Dunoyer's from 1825 is very similar to the "sell out" position Molinari retreated to in the late 1890s. Molinari may have sold out his anarcho-capitalist beliefs of the 1840s and 1850s, but his vision of "proprietary communities" and decentralized government entities of the 1890s remained faithful to the core radical anti-centralism and anti-statism of Say's, Dunoyer's, Bastiat's, Thierry's, and of course his own classical liberalism.

Endnotes

[1] Peter T. Leeson, *The Invisible Hook: The Hidden Economics of Pirates* (Princeton, N.J.: Princeton University Press, 2009).

[2] Charles Dunoyer, *L'Industrie et la morale considérées dans leurs rapports avec la liberté* (Paris: A. Sautélet et Cie, 1825); Charles Dunoyer, *Nouveau traité d'économie sociale, ou simple exposition des causes sous l'influence desquelles les hommes parviennent à user de leurs forces avec le plus de LIBERTÉ, c'est-à-dire avec le plus FACILITÉ et de PUISSANCE* (Paris: Sautélet et Mesnier, 1830), 2 vols.

9. Matt Zwolinski on "Anarchist Theory, Examples, and Counterexamples"

When it comes to market anarchism, we have an abundance of provocative theory and an almost complete absence of persuasive empirical evidence. There are no state-sized societies organized along market anarchist lines in existence today. And, for that matter, there are no examples in all of recorded history either. The closest we have is a handful of examples of societies like Medieval Iceland that seem to both a) possess *some of the features* of a market anarchist society, and b) be reasonably tolerable societies in which to live, at least compared to the feasible alternatives.

On the other hand, we have a large number of historical examples of societies without a state, and a much smaller number of contemporary ones. So if we want to know what life in a stateless society has been like for most people who have actually lived in one, we need to look at all of the examples, not just the ones where things have turned out the way our theory has predicted they would.

And when we do this, things do not look very good for the anarchist, at least if we take Steven Pinker's data at face value. It's true that far more people have died violent deaths in societies with states than in societies without them. But that's mostly because there are *far more people alive* in societies with states than ever existed in societies without them. (And perhaps this itself is something that ought to be considered a point in states' favor?) When we look at *rates* of death in societies governed by states and compare these with the rates of death in stateless societies, anarchist societies appear to be far more violent -- even taking into account the genocides, World Wars, and various bloodlettings of the 20th century. Taking all forms of organized violence over the 20th century into account, the average annual rate of violent death for the world as a whole was about 60 in 100,000. That's significantly higher than the corresponding figure for the most peaceful states in the world -- about 1 in 100,000 for the states of Western Europe at the turn of the 21st century. But it is much lower than the average for the nonstate societies Pinker surveys -- about 524 in 100,000.

Roderick Long wonders why we should focus on *rates* of death rather than absolute numbers. And I ad-

mit that there are some difficult moral questions here. I am not sure whether a universe in which 8 out of 10 existing people are killed is better or worse, from the point of view of the universe, than one in which 10,000 out of one million existing people are killed. But I *am* pretty sure that I know which society I would rather live in, if I had to choose.

And that is why Pinker's focus on rates of violent death is relevant to this debate. If we, like Molinari, are engaged in a *normative* debate about whether a state or a nonstate society is more desirable, it seems clear that one of the questions we will want to have answered is: What are my chances of dying violently in each? Or, less egoistically, what are the chances that a random person in each will die violently? The specific numbers that Pinker draws on can be subject to criticism of the sort identified by Long. But even if we build in an *enormous* fudge factor by doubling Pinker's rate of violent death for the 20th century, and halving it for the stateless societies, that still leaves your odds of dying a violent death over twice as high in the latter as in the former.

That anarchist societies are, in general, more dangerous places to live than societies with a state is compatible with the claim that *some* anarchist societies are less dangerous places to live than some state-based ones. It is even compatible with the claim, advanced recently by Benjamin Powell and Peter Leeson, that a particular society like Somalia is better off without a state than it was with a state. Some states, like Somalia's prior to its collapse in 1991, are particularly dysfunctional and predatory in nature. But the fact that a society would be better off stateless than with a *bad* state doesn't show that statelessness is better than statehood, any more than the fact that a sick person would be better off with no doctor at all than with a bad doctor shows that avoiding doctors altogether is good for your health.

Examples and counterexamples have an important role to play in political philosophy in general, and in the debate over the possibility and desirability of market anarchism in particular. But it is important to understand their significance and limits. Here, to bring this comment to a close, are a few reflections on this matter.

1. A single example of a phenomenon is sufficient to demonstrate the possibility of that phenomenon --

but only if it is actually an instance of the phenomenon in question. So, for instance, a single instance of a market anarchist society would show that market anarchist societies are possible. But stories about cattle ranchers in Shasta County, or about the increasing use of private mediation, or private security forces in homeowners associations do not. Those examples are indeed instructive in other respects. But they are not examples of market anarchist societies and so cannot suffice to demonstrate the possibility of such.

2. Even a successful demonstration of possibility isn't all that impressive. I know some people who smoke, drink, and don't exercise, and who nevertheless live to a ripe old age. But if I had to place a bet on a successful strategy for longevity (as, I suppose, I do), I'd put my money somewhere else. To show that it is possible for a market anarchist society to exist and thrive is not to show that it is *likely*. To arrive at judgments about likelihood we need more than just a handful of examples, we need good statistical analysis of a lot of them. Or a very good theory. But preferably both. Which leads to my last point...
3. A lack of examples can't disprove a claim of possibility -- but it should make you think twice. If we can't find any successful examples of market anarchist societies, then we should probably ask ourselves why. Perhaps people aren't behaving as rationally as our theory assumed they would? Perhaps there's some extraneous factor our theory hasn't accounted for? Or perhaps anarchist societies, plagued by collective action problems, are unable to defend themselves against being swallowed up by their state-based neighbors? Whatever it is, *something* is going on, and it's been going on long and regularly enough that it's probably not just bad luck.

10. Roderick T. Long on "Anarchy Here and Now"

In the 17th and 18th centuries it was common for defenders of monarchy to point to history as being on their side. Most advanced countries were monarchies; republics were widely seen as outdated relics of antiquity, unstable experiments prone to civil strife. Clearly monarchy was the wave of the future.

Likewise in the 19th century, defenders of male supremacy pointed to the universality or near-universality of women's subordination as evidence that the inherited wisdom of the human race bore witness against the equality of the sexes.

And defenders of slavery could say, with Calhoun, that "there never has yet existed a wealthy and civilized society in which one portion of the community did not, in point of fact, live on the labor of the other." [1]

Now of course the fact that "verdict of history" arguments against the viability of republics, gender equality, and the abolition of slavery all turn out to have been mistaken does not prove that similar arguments today against anarchism are likewise mistaken. After all, *sometimes* the reason a certain social form is historically scarce is that it's not viable. Nevertheless, such examples should make us very cautious about betting against liberty and equality, or assuming that the range of social forms that has hitherto predominated is anything like a representative sample of the possibilities.

Matt tells us that "[i]f we can't find any successful examples of market anarchist societies, then we should probably ask ourselves why," since "*something* is going on, and it's been going on long and regularly enough that it's probably not just bad luck." But exactly the same thing could have been said about slavery, or male supremacy, in 1800. We should demand better reasons than those before acquiescing in systems of oppression.

It's true that, as Matt notes, there are "no state-sized societies organized along market anarchist lines in existence today [or] in all of recorded history." But it's also true that there are no state-sized *minarchies* (libertarian minimal states) in existence today or in all of recorded history; so by the "actual examples" test, we have as much reason to be skeptical of minarchism as of anarchism. Matt's argument is thus a case for skepti-

cism about libertarianism generally, not just about its anarchist version. (On theoretical grounds, of course, I think we have far *more* reason to be skeptical of minarchism than of anarchism.)

Some may point to some earlier period in the United States (before LBJ? before FDR? before Wilson? before Lincoln?) as a golden age of minarchy and *laissez-faire*; but even if we ignore (as we shouldn't) the legal status of women and nonwhites – i.e., most of the population – during that era and focus only on the liberties of white males, we can hardly call the 19th-century U.S. a *laissez-faire* minarchy, given the myriad ways in which the American state has *from the earliest days of the republic* systematically intervened in the economy to rig markets in favor of the wealthy and against workers and consumers.[2]

Moreover, Matt surely overstates his case when he speaks of a "complete absence of persuasive empirical evidence" regarding market anarchism. For we do have good empirical evidence for *each part* of the market anarchist equation; each of the mechanisms on which market anarchists rely has proven itself "in the field." To be sure, the fact that all the components work well *separately* does not prove that they would still work just as well when combined; but their separate success is surely *relevant* to an empirical assessment of their prospects for combined success, and thus better than a "complete absence."

True, "stories about cattle ranchers in Shasta County, or about the increasing use of private mediation, or private security forces in homeowners associations" are not themselves examples of market anarchy. But they are examples of the mechanisms to which market anarchists look for the provision of order without the state. The greater the extent to which people rely on nonstate rather than state mechanisms in their daily lives, the stronger the empirical case for market anarchism becomes.

Moreover, such historical evidence serves at the very least to rebut certain standard anti-anarchist arguments. The success of the Law Merchant,[3] or the financial arrangements of 17th-century Amsterdam,[4] may not prove the viability of anarchism *per se*, given that these phenomena occurred under states; but the fact that they occurred without state assistance, and indeed in the face of state hostility, makes an effective

counter to the claim that only states can develop sophisticated legal systems.[5]

After all, the anarchist claim is not that some magical order button lights up the minute we cross the bright line from state to anarchy. The claim is rather that it is “anarchic” relationships that provide such order as we enjoy *even under states*, and that they do so more and more successfully as state hindrances are removed. As Colin Ward writes:

[A]n anarchist society, a society which organises itself without authority, is always in existence, like a seed beneath the snow.... [F]ar from being a speculative vision of a future society, it is a description of a mode of human organisation, rooted in the experience of everyday life, which operates side by side with, and in spite of, the dominant authoritarian trends of our society. This is not a new version of anarchism. Gustav Landauer saw it, not as the founding of something new, ‘but as the actualisation and reconstitution of something that has always been present, which exists alongside the state, albeit buried and laid waste’. And a modern anarchist, Paul Goodman, declared that: ‘A free society cannot be the substitution of a “new order” for the old order; it is the extension of spheres of free action until they make up most of social life.’ ... Anarchists are people who make a social and political philosophy out of the natural and spontaneous tendency of humans to associate together for their mutual benefit.[6]

(The description of anarchy as “the cement that holds the bricks of society” together has also been attributed[7] to Ward, but I’ve yet to track down the source.) On this model, the anarchy whose unhampered release we seek is one that is already here around us, operating in a hampered manner, and so in seeking to understand full-fledged anarchy, an examination of these hampered anarchic forces and relationships is not a change of subject. To insist on examining anarchy only in its purest form is a bit like rejecting Galileo’s experiments with inclined planes and demanding that only tests with vertical free fall are relevant to disproving Aristotelean dynamics. *Si monumentum requiris, circumspice*.

Now of course it’s conceivable that anarchy might be “dose-dependent” (like adrenaline, which – if I remember correctly from high school biology – slows down responses when taken in small doses but speeds

them up when taken in larger doses), so that removing hindrances to these anarchic relationships causes at first an increase and later on a decrease in order. But the burden of proof lies with those who make this claim.

Compare: In every generation social conservatives tend to accept as progress the gains in gender equality and/or homosexual equality that were made a few generations earlier, but argue that any *further* gains along those lines will bring social chaos. How seriously should we really take their worries?

Matt dismisses examples like stateless Somalia’s superiority to its state-ridden neighbors and own state-ridden past on the grounds that “the fact that a society would be better off stateless than with a *bad* state doesn’t show that statelessness is better than statehood, any more than the fact that a sick person would be better off with no doctor at all than with a bad doctor shows that avoiding doctors altogether is good for your health.” But as David F. points out in his response, most modern states are different from Somalia and medieval Iceland in a lot more ways than just the presence or absence of a state; so if we want our comparisons to be relevant to the anarchy/state dispute, we need to control for vast numbers of other factors, which means we should compare states and anarchies that are broadly similar in economic, cultural, etc. respects.

By analogy we should compare bubonic plague victims under a doctor’s care with bubonic plague victims not under a doctor’s care, not bubonic plague victims under a doctor’s care with plague-free people not under a doctor’s care or vice versa. Expecting a modern anarchy to look just like the ancient anarchies that Pinker condemns makes as much sense as expecting a modern state to look like ancient states.[8]

Herbert Spencer, like Pinker, argued that rates of violence tended to decline historically, but he took this trend to be correlated with the shift from status to contract, or from militant to industrial society, and thus to be *favorable* to the prospects for successful anarchy. Without a causal theory, then, statistics by themselves offer relatively little guidance.

Pinker’s own causal theory is unpromising; he regards the “spread of the reach of government” as a cause of diminishing violence, on the grounds that “if you outsource your revenge and justice to a disinterest-

ed third party, there will be less bloodshed than if you are judge, jury and executioner of the crimes against you”[9] – an *ignoratio elenchi* which suggests that he is unaware of the difference between deferring to a third-party arbiter and deferring to a *monopolistic* third-party arbiter.

As I’ve written elsewhere:

Locke’s worry ... is that, in the absence of a monopoly government, each individual will have to act as a judge in his or her own case, a situation that inevitably raises the specter of partiality and bias. Now I think Locke is quite right in judging that, emergencies aside, submitting one’s disputes to a neutral arbiter is preferable to judging them oneself; the offices of prosecutor and judge are better separated than combined. But how does an argument for neutral arbiters suddenly become an argument for monopoly government? The historical record shows that stateless legal orders tend to generate quite effective incentives for people to submit their disputes to arbitration.

Locke appears to be drawing an erroneous inference from the premise “Each person should delegate retaliation to an impartial third party” to “There should be an impartial third party to whom each person delegates retaliation.” This is simply a fallacy of composition, analogous to the inference from “Everyone likes at least one television show” to “There’s at least one television show that everyone likes.”

It is actually government, not anarchy, that suffers from the problem of judicial bias. Under anarchy, any dispute can be submitted to third-party arbitration; but under a governmental system, in disputes between a citizen and the state, the state – which as a monopoly of course recognises no judicial authority but its own – *necessarily* acts as a judge in its own case.... A monopoly government, i.e. an agency that refuses to submit its use of force to external adjudication, is by definition *lawless*; thus anarchy is the *completion*, not the negation, of the rule of law.[10]

If, as Pinker maintains, universal submission to third-party arbitration should lead us to expect a diminution in violence, then that’s an argument for anarchism, not against it.

Endnotes

[1] John C. Calhoun, “Speech on the Reception of Abolition Petitions,” February 6, 1837; online: <<http://users.wfu.edu/zulick/340/calhoun2.html>>. See also John C. Calhoun, *Union and Liberty: The Political Philosophy of John C. Calhoun*, ed. Ross M. Lence (Indianapolis: Liberty Fund, 1992). Chapter: “Speech on the Reception of Abolition Petitions. Revised Report” [November 3, 1837] <http://oll.libertyfund.org/titles/683#Calhoun_0007_838>.

[2] For examples, see Kevin A. Carson, *Studies in Mutualist Political Economy* (2004), chs. 4-8; online: <<http://www.mutualist.org/sitebuildercontent/sitebuilderfiles/MPE.pdf>>.

[3] Tom W. Bell, “Polycentric Law,” *Humane Studies Review* 7.1 (Winter 1991/92); online: <<http://osfl.gmu.edu/~ihs/w91issues.html>>.

[4] Edward P. Stringham, “The Extralegal Development of Securities Trading in Seventeenth Century Amsterdam,” *Quarterly Review of Economics and Finance* 43.2 (2003); online: <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1676251>.

[5] On this point see John Hasnas, “The Obviousness of Anarchy”; online: <<http://faculty.msb.edu/hasnasj/GTWebSite/Obvious.pdf>>.

[6] Colin Ward, *Anarchy in Action* (London: Freedom Press, 1996), pp. 18-19; online: <http://libcom.org/files/Ward_-_Anarchy_in_Action_3.pdf>.

[7] Simon Read, *Everything You Ever Wanted To Know About Anarchism But Were Afraid To Ask* (Rebel Press, 2004); online: <<http://corporate.skynet.be/zen/images/everything.pdf>>.

[8] As for Pinker, I’m curious: Does he draw a distinction among homicides involving willing combatants, homicides involving unwilling combatants, and homicides involving noncombatants? I for one would rather live in a society with a high homicide rate where most of the homicides occur among stropic warriors challenging each other to duels, than in a society with a lower homicide rate where it’s much harder to avoid being one of the homicides.

[9] “Podcast: Steven Pinker on Violence and Human Nature” (1 November 2012); online: <<http://>>

www.socialsciencespace.com/2012/11/podcast-steven-pinker-on-violence-and-human-nature>.

[10] Long, "Market Anarchism As Constitutionalism," pp. 136-141; online: <<http://praxeology.net/Anarconst2.pdf>>.

11. David M. Hart on Zwolinski "On Hayek's Notion of True and False Individualism"

Another important point which Matt raises which I think is worth pursuing further is Hayek's argument about "true and false individualism" (1945)[1], where he argues that "true individualism" is represented by the British tradition (namely Locke, Hume, Smith, Burke, Lord Acton) and "false individualism" is represented by the French (namely the Encyclopedists, Rousseau, and the Physiocrats). This distinction has always baffled me for a number of reasons. Firstly, why does he talk about "individualism" and not "liberalism" per se? Individualism is only one aspect of the schools of thought he discusses and it makes much more sense to refer to the broader package of beliefs which make up the "theory of liberty." I would include in this broader package of ideas things like individual liberty, property rights, support for free markets (especially the policy of *laissez-faire*), spontaneous orders (or "harmony"), free trade, limited government (or even no government), peace, opposition to slavery, and so on. If we were to try to describe what ideas and beliefs constitute what Walter Grinder calls "real liberalism" and Ralph Raico "true liberalism" [2] we would have to include things from at least four main areas, namely political liberties, economic liberties, legal liberties, and social liberties in order to show liberalism's true breadth and depth. On nearly all these things Hayek seems to have nothing much to say in this essay.[3]

Second, he very narrowly defines both the British and French traditions to exclude what I believe is the much larger and more radical traditions of classical liberalism which existed in both countries. For example from the mid-17th century onwards we can see groups like the Levellers (John Lilburne and Richard Overton among others) advocating many of these ideas, and as we move forward in time there is the Commonwealth-

man tradition in England in the early 18th century; Thomas Jefferson and his radical followers in America; John Price, John Priestly, and Thomas Paine in England in the late 18th century; the Physiocrats, Voltaire, and Condorcet in the late 18th century in France; J.B. Say, Benjamin Constant, Destutt de Tracy, Charles Comte and Charles Dunoyer in the early 19th century in France; the Philosophic Radicals like Jeremy Bentham and James Mill in early 19th century England; Richard Cobden and John Bright in mid-19th century England; Frédéric Bastiat, Gustave de Molinari, and the *Économiste* school in mid-19th century France; the radical individualists Auberon Herbert and Herbert Spencer in late-19th century England; and radical individualists like Lysander Spooner in late 19th century America. This list is incomplete of course and I make no mention of other classical liberals who lived in Germany or Italy or Austria-Hungary. However, the point should be clear that Hayek's discussion of the scope of "individualism/liberalism" is scandalously inadequate. The narrowness of Hayek's discussion of individualism (liberalism) is hard to explain as one of the works upon which he bases much of his understanding of the history of individualism, Albert Schatz, *L'individualisme économique et social* (1907),[4] contains lengthy discussions of the work of Charles Dunoyer, Frédéric Bastiat, and Herbert Spencer none of whom are mentioned in Hayek's essay. Perhaps Ralph Raico's witty description of Hayek as suffering from "terminal Anglophilia" [5] is truer than one might think.

Third, he makes some absurd arguments about how "rationalistic individualism" (also called "rationalistic pseudo-liberalism") tends inevitably to end up in some form of "socialism or collectivism" (p. 4) which leads him to prefer an "antirationalistic approach" in which one "conform(s) to seemingly irrational traditions and conventions" (pp. 24, 26). (Hayek also believes that "false individualism" leads to "anarchism".) The very great danger of this Burkean "anti-rationalistic" respect for existing institutions is, as many liberals in the late 18th and early 19th centuries clearly recognized, that many existing institutions are unjust because they came into existence and maintain themselves through coercion and the theft of the property of others, which is a clear violation of liberal principles regarding individual liberty and property. The anger and sense of outrage which the institutions of the established church, aristocratic land ownership, aristocratic

cratic and mercantile control of Parliament, slavery, and tariff protection produced in the hearts and minds of classical liberals of the time was a major factor in motivating them to seek radical reform of their societies. This makes Hayek's view of existing institutions and traditions look quite complacent and uncaring of the rights and liberties of ordinary people.

Fourth, Hayek's view that "True individualism is, of course, not anarchism, which is but another product of the rationalistic pseudo-individualism to which it is opposed." (p. 16) is a misunderstanding of what anarchism was and is. Leaving aside for the moment "left" or "socialist" anarchism of the Proudhon and Bakunin variety, it is clear that there has been almost from the beginnings of liberal though an anarchist current which has coexisted with the main-stream limited government position. Think of perhaps even the young Edmund Burke (*A Vindication of Natural Society* (1756)), William Godwin *Enquiry Concerning Political Justice* (1793), Thomas Paine (*The Rights of Man* (1791)), J.B. Say (*Cours complet d'économie politique* (1828)), Charles Dunoyer (*L'Industrie et la morale* (1825)), Gustave de Molinari himself, and Lysander Spooner and Benjamin Tucker. Whether one accepts this liberal form of anarchism or not one has to at least acknowledge that it has existed and has been an important part of liberalism's history. When the Political Economy Society discussed Molinari's ideas at a meeting in 1849 Dunoyer gave the Hayekian criticism that, in Hayek's terminology, it was a "rationalistic search for logical consistency", or as Dunoyer put it on behalf the members of the Society, Molinari had been carried away by "illusions of logic." Molinari no doubt would have defended himself by saying that he was just pursuing the principles of property rights and free markets to their logical conclusion just as liberal political economists had always done and that it was up to the advocates of an exception to liberal principles to show otherwise. If you like, you could phrase it terms of "the presumption of liberty" (like the presumption of innocence in court proceedings), that if we are in doubt on any given issue the presumption should always be in favour of liberty and not state control and regulation. I think that this is a sound principle to which we should adhere unless there are overwhelming reasons to believe otherwise. Matt may have those reasons and these we can discuss.

In conclusion, in my view a better way to distinguish between the different schools of liberal thought is

to focus on their attitude towards individual liberty vis-à-vis the power of the state. When one does this one sees that in both France and England there was a stream of conservative liberals who were in favour of some liberties for some individuals (a kind of "crony liberalism" perhaps?) but who also saw an important role for the state and the establishment in creating a kind of "ordered liberty" because unfettered and democratic liberty would be destabilising and might lead to revolution (to be avoided at all costs, unless you are American); and a stream of radical liberals who wanted to maximise individual liberty by doing away with all social and political privileges of the establishment, abolishing entire branches of the state (especially the imperial army and the colonies), and allowing a space for ordinary people to voice their concerns in Parliament and in the press.

My conclusion is that what Hayek refers to as "true individualism" (or rather true liberalism) is in fact the aristocratic bastard form of liberalism which was adopted by sections of the British ruling elite in the late 18th and early 19th century (the Whigs). His "false individualism" (false liberalism) is in fact the more radical liberalism which emerged both in France and England at this time. Therefore, I believe Hayek has the entire history of liberalism back to front. Perhaps he should have called the postscript to *The Constitution of Liberty* "Why am neither a Conservative nor a True Liberal" in order to reflect this fact. [6]

Endnotes

[1] Friedrich Hayek, "Individualism: True and False," *Individualism and Economic Order* (Chicago: Henry Regnery Gateway Edition, 1972), pp. 1-32. The essay was first given as a lecture at University College, Dublin in December 1945.

[2] Ralph Raico, "Liberalism: True and False", *Classical Liberalism and the Austrian School*, Forward by Jörg Guido Hülsmann, Preface by David Gordon (Auburn, Alabama: Ludwig von Mises Institute, 2012), pp. 67-110.

[3] I would also argue that by the time Hayek came to write *The Constitution of Liberty* in 1960 he was even more confused about what liberalism is. F.A. Hayek,

The Constitution of Liberty (Chicago: Henry Regnery Gateway Edition, 1960).

[4] Albert Schatz, *L'individualisme économique et social: ses origines - son évolution - ses formes contemporaines* (Paris: A. Colin, 1907). <<http://oll.libertyfund.org/titles/1069>> . See his acknowledgement to Schatz in footnote 6, p. 6. Unfortunately, it seems that Hayek only had time to read Part I of the book and not Part II where the latter are discussed at some length.

[5] “The Centrality of French liberalism,” p. 221.

[6] “Postscript: Why I Am Not a Conservative,” *The Constitution of Liberty*, pp. 397-411.

12. Roderick T. Long "The Gallic Menace"

I want to second what David H. has said about Hayek's distinction between “true” and “false” individualism, and to add a few points.

Even on its own terms, Hayek's distinction doesn't make sense geographically. He hails as one of the leading figures of true, or British, individualism a French writer, Tocqueville, while tossing such British writers as Bentham, Mill, and Spencer into the category of false, or French, individualism on the mere grounds that they were influenced by the French. The scoring system seems suspect.

I'm also not sure how Locke, who based his theory of revolution on a doctrine of natural rights ascertainable by reason, gets into Hayek's anti-rationalist category.

Leaving all that aside, however, let's consider some of the thinkers that Hayek consigns to the category of “rationalistic individualism,” which, he claims (without evidence) “always tends to develop into the opposite of individualism, namely, socialism or collectivism.”

Two of the groups he includes in this category are the Encyclopedists and the Physiocrats (all apparently lumped together as though homogeneous). Consider, then, Voltaire, one of the most celebrated members of the first group, and Turgot, one of the most celebrated members of both.

Voltaire's 1733 *Philosophical Letters*,^[1] also known as *Letters on England* or *Letters on the English Nation*, is a sustained defense of English cultural traditions and political institutions, as against their French counterparts; this makes him an odd figure to cast as a French Anglophobic villain. Moreover, in a famous passage from that same work Voltaire writes:

Take a view of the Royal Exchange in London, a place more venerable than many courts of justice, where the representatives of all nations meet for the benefit of mankind. There the Jew, the Mahometan, and the Christian transact business together, as though they were all of the same religion, and give the name of Infidels to none but bankrupts; there the Presbyterian confides in the Anabaptist, and the Churchman depends upon the Quaker's word. At the breaking up of this pacific and free assembly, some withdraw to the synagogue, and others to take a glass. This man goes and is baptized in a great tub, in the name of the Father, Son, and Holy Ghost; that man has his son's foreskin cut off, and causes a set of Hebrew words – to the meaning of which he himself is an utter stranger – to be mumbled over the infant; others retire to their churches, and there wait the inspiration of heaven with their hats on; and all are satisfied.

Here Voltaire portrays social order as arising neither from a shared ideology nor from top-down direction, but rather from institutions that give individuals an incentive to interact peacefully and cooperatively. Is this constructivist rationalism?

Admittedly Voltaire has more statist moments as well, including his praise for allegedly “enlightened despots” like Frederick II of Prussia; but given Hayek's praise for the allegedly “liberal dictatorship” of Augusto Pinochet of Chile, this is hardly a point he could afford to press. And at least Voltaire doesn't praise the blessings of war, as does Hayek's hero Adam Ferguson. Most real-life thinkers are too complex and variegated, I think, to fit neatly into the narrow categories Hayek is offering us.

As for Turgot, bear in mind that he campaigned for property rights and free trade well before Adam Smith did, and that his account of economic value is a much closer forerunner of Austrian subjectivism and marginalism than is Smith's. Consider, too, that in response to the charge that defenders of free markets are “men of

system,” Turgot replies, in his 1759 elegy “In Praise of Gournay,”[2] that the free marketer

would rather have had the right to lay this reproach at the door of the principles against which he fought, since his whole doctrine was founded on the complete impossibility of directing, by invariant rules and by continuous inspection a multitude of transactions which by their immensity alone could not be fully known, and which, moreover, are continually dependent on a multitude of ever changing circumstances which cannot be managed or even foreseen.

It’s hard to imagine a more Hayekian passage – and a more complete repudiation of constructivist rationalism – than this. In the spirit of calling French fries “freedom fries,” perhaps we should call French liberals “freedom liberals.”

And what of Mill and Spencer, whom Hayek tosses out of the true liberal canon on the grounds of perfidious Gallic influence?

In *Utilitarianism* Mill rejects the idea that we should try to figure out the right principles of conduct merely by reasoning about them, pointing out instead the benefits of relying on the results of accumulated human experience. One of the central themes of Mill’s *On Liberty* is that we cannot trust an individual’s reason to ascertain the truth, except against the background of a free marketplace where ideas are tested both in debate and in practice. In *The Subjection of Women* Mill rejects the inherited-wisdom-of-mankind defense of male supremacy – but on the grounds that male supremacy did not emerge from such a competitive context. Is this constructivist rationalism? (I don’t mean to deny that Mill has his constructivist moments; but these are surely lapses from, not expressions of, his central insights. Mill is clearly a proto-Hayekian in many ways.)

As for Spencer, his entire oeuvre is devoted to explaining how social order arises without conscious direction. In “Specialized Administration,”[3] for example, he writes:

Up to quite recent days, Language was held to be of supernatural origin. That this elaborate apparatus of symbols, so marvellously adapted for the conveyance of thought from mind to mind, was a miraculous gift, seemed unquestionable. No possible alternative way could be thought of by which there had come into existence these multi-

tudinous assemblages of words of various orders, genera, and species, moulded into fitness for articulating with one another, and capable of being united from moment to moment into ever-new combinations, which represent with precision each idea as it arises. The supposition that, in the slow progress of things, Language grew out of the continuous use of signs – at first mainly mimetic, afterward partly mimetic, partly vocal, and at length almost wholly vocal – was an hypothesis never even conceived by men in early stages of civilization; and when the hypothesis was at length conceived, it was thought too monstrous an absurdity to be even entertained. Yet this monstrous absurdity proves to be true. Already the evolution of Language has been traced back far enough to show that all its particular words, and all its leading traits of structure, have had a natural genesis; and day by day investigation makes it more manifest that its genesis has been natural from the beginning. Not only has it been natural from the beginning, but it has been spontaneous. No language is a cunningly-devised scheme of a ruler or body of legislators. There was no council of savages to invent the parts of speech, and decide on what principles they should be used. Nay, more. Going on without any authority or appointed regulation, this natural process went on without any man observing that it was going on. Solely under pressure of the need for communicating their ideas and feelings – solely in pursuit of their personal interests – men little by little developed speech in absolute unconsciousness that they were doing anything more than pursuing their personal interests.

Is this constructivist rationalism? And what of the following passage, from Spencer’s *Illustrations of Universal Progress*?[4]

The whole of our industrial organization, from its main outlines down to its minutest details, has become what it is, not simply without legislative guidance, but, to a considerable extent, in spite of legislative hindrances. It has arisen under the pressure of human wants and activities. While each citizen has been pursuing his individual welfare, and none taking thought about division of labour, or, indeed, conscious of the need for it, division of labour has yet been ever becoming more complete. It has been doing this slowly and silently: scarcely any having observed it until quite modern times. By steps so small, that year after year the industrial arrangements have seemed to

men just what they were before – by changes as insensible as those through which a seed passes into a tree; society has become the complex body of mutually-dependent workers which we now see. And this economic organization, mark, is the all-essential organization. Through the combination thus spontaneously evolved, every citizen is supplied with daily necessities; while he yields some product or aid to others. That we are severally alive to-day, we owe to the regular working of this combination during the past week; and could it be suddenly abolished, a great proportion of us would be dead before another week ended. If these most conspicuous and vital arrangements of our social structure, have arisen without the devising of any one, but through the individual efforts of citizens to satisfy their own wants; we may be tolerably certain that the less important arrangements have similarly arisen.

(This last passage is reminiscent of Bastiat on the “feeding of Paris.” Is Bastiat a true or false liberal, by Hayek’s lights?) The thinkers Hayek is so intent on rejecting, then, are in many cases pioneers of his own ideas.

Let me close with a trio of quotations, all making *inter alia* the same point – that the experience of the American colonies during the revolutionary war, with the British government no longer in control and the new American one not yet well established, prove the viability of spontaneous order generally and of anarchism in particular:

a) Great part of that order which reigns among mankind is not the effect of government. It has its origin in the principles of society and the natural constitution of man. It existed prior to government, and would exist if the formality of government was abolished. The mutual dependence and reciprocal interest which man has upon man, and all the parts of civilised community upon each other, create that great chain of connection which holds it together. The landholder, the farmer, the manufacturer, the merchant, the tradesman, and every occupation, prospers by the aid which each receives from the other, and from the whole. Common interest regulates their concerns, and forms their law; and the laws which common usage ordains, have a greater influence than the laws of government. In fine society performs for itself almost everything which is ascribed to government.... Government is no farther necessary than to supply the few cases to which

society and civilisation are not conveniently competent; and instances are not wanting to show, that everything which government can usefully add thereto, has been performed by the common consent of society, without government.... For upwards of two years from the commencement of the American War, and to a longer period in several of the American States, there were no established forms of government. The old governments had been abolished, and the country was too much occupied in defence to employ its attention in establishing new governments; yet during this interval order and harmony were preserved as inviolate as in any country in Europe. There is a natural aptness in man, and more so in society, because it embraces a greater variety of abilities and resource, to accommodate itself to whatever situation it is in. The instant formal government is abolished, society begins to act: a general association takes place, and common interest produces common security.... So far is it from being true, as has been pretended, that the abolition of any formal government is the dissolution of society, that it acts by a contrary impulse, and brings the latter the closer together. All that part of its organisation which it had committed to its government, devolves again upon itself, and acts through its medium. When men, as well from natural instinct as from reciprocal benefits, have habituated themselves to social and civilised life, there is always enough of its principles in practice to carry them through any changes they may find necessary or convenient to make in their government. In short, man is so naturally a creature of society that it is almost impossible to put him out of it.

b) I am glad to see that the terror at disunion and anarchy is disappearing. Massachusetts, in its heroic day, had no government – was an anarchy. Every man stood on his own feet, was his own governor; and there was no breach of peace from Cape Cod to Mount Hoosac. California, a few years ago, by the testimony of all people at that time in the country, had the best government that ever existed. Pans of gold lay drying outside of every man’s tent, in perfect security. The land was measured into little strips of a few feet wide, all side by side. A bit of ground that your hand could cover was worth one or two hundred dollars, on the edge of your strip; and there was no dispute. Every man throughout the country was armed with knife and revolver, and it was known that instant justice would be administered to each offence, and perfect peace reigned. For the Saxon

man, when he is well awake, is not a pirate but a citizen, all made of hooks and eyes, and links himself naturally to his brothers, as bees hook themselves to one another and to their queen in a loyal swarm.

c) Pursuing the same plan of punishing by the denial of the exercise of government to still greater lengths, we [the British parliament] wholly abrogated the ancient government of Massachusetts. We were confident that the first feeling, if not the very prospect, of anarchy would instantly enforce a complete submission. The experiment was tried. A new, strange, unexpected face of things appeared. Anarchy is found tolerable. A vast province has now subsisted, and subsisted in a considerable degree of health and vigor for near a twelvemonth, without Governor, without public Council, without judges, without executive magistrates. How long it will continue in this state, or what may arise out of this unheard-of situation, how can the wisest of us conjecture? Our late experience has taught us that many of those fundamental principles, formerly believed infallible, are either not of the importance they were imagined to be; or that we have not at all adverted to some other far more important and far more powerful principles, which entirely overrule those we had considered as omnipotent. I am much against any further experiments, which tend to put to the proof any more of these allowed opinions, which contribute so much to the public tranquility.

The first two quotations are from Thomas Paine[5] and Ralph Waldo Emerson[6] respectively. No doubt Hayek would dismiss both Paine and Emerson as constructivist rationalists, but they hardly sound it here.

The third quotation, though, is from Hayek's own beloved Edmund Burke – and not from his anarchistic *Vindication of Natural Liberty*, whose sincerity is debated, [7] but from a public speech in Parliament urging conciliation with the colonies lest they come to enjoy the orderly benefits of anarchy too much.[8] It's hard to make Matt's Hayekian charge of constructivist rationalism stick against anarchism when one of Hayek's favorite exponents of spontaneous order concedes the effectiveness of anarchism as an instance of such order.

Endnotes

[1] Voltaire, *The Works of Voltaire. A Contemporary Version. A Critique and Biography by John Morley, notes by Tobias Smollett*, trans. William F. Fleming (New York: E.R. DuMont, 1901). In 21 vols. Vol. XIX. <<http://oll.libertyfund.org/titles/666>>. Quote from THE PRESBYTERIANS. <http://oll.libertyfund.org/titles/666#Voltaire_0060-19p2_406>.

[2] David Gordon, ed., *The Turgot Collection: Writings, Speeches, and Letters of Anne Robert Jacques Turgot, Baron de Laune* (Auburn AL:Ludwig von Mises Institute, 2011), ch. 5; online:<<http://mises.org/document/6298/The-Turgot-Collection-Writings-Speeches-and-Letters-of-Anne-Robert-Jacques-Turgot-Baron-de-Laune>>.

[3] Herbert Spencer, *The Man versus the State, with Six Essays on Government, Society and Freedom*, ed. Eric Mack, introduction by Albert Jay Nock (Indianapolis: LibertyClassics, 1981). Chapter: SPECIALIZED ADMINISTRATION (1871). <http://oll.libertyfund.org/titles/330#Spencer_0020_646>.

[4] Spencer, *Illustrations of Universal Progress* (1865), ch. 10; online:<<http://www.gutenberg.org/files/39977/39977-h/39977-h.htm>>. See also Herbert Spencer, *The Man versus the State, with Six Essays on Government, Society and Freedom*, ed. Eric Mack, introduction by Albert Jay Nock (Indianapolis: LibertyClassics, 1981). Chapter: THE SOCIAL ORGANISM (1860). <http://oll.libertyfund.org/titles/330#Spencer_0020_585>.

[5] Paine, *The Rights of Man* (1791-92); online: *The Writings of Thomas Paine, Collected and Edited by Moncre Daniel Conway* (New York: G.P. Putnam's Sons, 1894). Vol. 2. Chapter I. Of society and civilisation. 1st quote <http://oll.libertyfund.org/titles/344#Paine_0548-02_1366>.

[6] Emerson, "Speech on Affairs in Kansas" (1856); online :*The Works of Ralph Waldo Emerson*, in 12 vols. Fireside Edition (Boston and New York, 1909). Chapter: SPEECH at the Kansas relief meeting in Cambridge, Wednesday. evening, September 10, 1856. <http://oll.libertyfund.org/titles/1961#Emerson_1236-11_266>.

[7] For my own view, following Isaac Kramnick, see:

<<http://aeblog.com/2007/10/24/burkes-semi-serious-anarchism>>.

[8] Burke, "Conciliation with the Colonies" (1770); online: *Select Works of Edmund Burke. A New Imprint of the Payne Edition. Foreword and Biographical Note by Francis Canavan* (Indianapolis: Liberty Fund, 1999). Vol. 1. Chapter: Speech of Edmund Burke, Esq., on Moving His Resolutions for Conciliation with the Colonies. <http://oll.libertyfund.org/titles/796#Burke_0005-01_471>.

13. Matt Zwolinski on "Anarchism and Rationalism"

In my initial response essay I claimed that Molinari's anarchism was an example of what F. A. Hayek labeled "false individualism." In their subsequent essays, David Hart and Roderick Long have both taken issue with this characterization.

A lot of what David and Roderick have to say is intended to call into question the particular individuals and nationalities to which Hayek applied his distinction. David, for instance, claims that significant strains of "radical" individualism (which I assume he equates with Hayek's "false" individualism – more on this later) existed in *both* Britain and France, and so Hayek's diagnosis of this condition as a prototypically French malady must simply be a product of his "terminal Anglophilia." Roderick, meanwhile, criticizes Hayek on what seem to be precisely the opposite grounds -- for *including* some British figures in the category of false individualists and some French figures as true individualists. So, according to David, Hayek is being too much of a nationalist in the way he applies his distinction, and according to Roderick, he's not being nationalist enough.

Long also says that Hayek was wrong to describe Mill and Spencer as false individualists. And I think he's probably right about Mill. Spencer, on the other hand, is a tougher case. I believe that Spencer, like Mill, is best thought of as a kind of liberal utilitarian [<http://plato.stanford.edu/entries/spencer/>] That is, he is someone who held utility to be the ultimate moral criterion distinguishing between right and

wrong, but who did not think that we should appeal directly to the principle of utility as a decision procedure to guide our individual behavior or public policy. [1] Like Mill, Spencer believed that matters of public policy ought to be decided on the basis of respect for *individual rights*, though, again like Mill, [2] he clearly saw these rights as grounded in utilitarian considerations. Famously, Spencer thought that our fundamental right is specified by the "Law of Equal Freedom": "Every man has freedom to do all that he wills, provided he infringes not the equal freedom of any other man." [3]

I think that there is a good case to be made that there is, at the very least, a strong streak of "constructivist rationalism" in Spencer's understanding and justification of this principle. But before that case can be made, we need to ask a question that – surprisingly – neither David nor Roderick really addresses in their critiques of Hayek's essay. Before we can know whether Hayek is *misapplying* the labels of "false individualism" and "constructive rationalism," we need to know just what these terms *mean*.

For Hayek, the "dominant feature" of false individualism is its "Cartesian rationalism." By this latter phrase Hayek seems to mean "an exaggerated belief in the powers of individual reason" that tends to generate "contempt for anything which has not been consciously designed by [reason] or is not fully intelligible to it." [4] The rationalist believes that social order must be the product of deliberate design, and that social orders that were *not* so designed, or that cannot be understood by the light of individual reason, should be knocked down and built up again from scratch, when and if doing so seems likely to produce a more rational social order.

The first thing to note, then, is that Hayek's "false individualism" or "rationalism" is a category that applies not to types of social orders as such, but to ways of *thinking* about social orders. Anarchism, as such, is neither rationalist nor anti-rationalist. It might ("typically," Hayek probably ought to have qualified) be the *product* of rationalist thinking. But it is the thinking that is rationalist or not, not anarchism itself. Minarchism, too, could be the product of rationalist thinking, and I suspect that Hayek would have found a good deal of rationalism in both Rand's and Nozick's arguments for the minimal state.

The second thing to note is that Hayek characterizes rationalist thinking as marked not just by a faith in reason, but by a faith in *individual* reason. What does he mean by this? Hayek explains by contrasting the rationalist's view of reason with that of the true individualist, for whom

human Reason, with a capital R, does not exist in the singular, as given or available to any particular person, as the rationalist approach seems to assume, but must be conceived as an interpersonal process in which anyone's contribution is tested and corrected by others.[5]

I like to think of the contrast this way: For the rationalist, we can arrive at the Truth about social orders just by locking ourselves away in our closet and thinking about it hard enough. We should read books, yes, and think about what other people have said and arguments they have given. But at the end of the day, we ought to have full confidence in the beliefs at which we arrive through the use of our reason. And, if others disagree – even if *most* others disagree – then so much the worse for those benighted masses. The discovery of truth, for the rationalist, is an *individual* process of *thinking*, not a *social* process of *testing*.

So, back to Spencer. Roderick is certainly right that the great bulk of Spencer's work is dedicated to showing how social order can arise without conscious direction, and in this respect Spencer certainly looks like someone in whom Hayek would find much to admire. But at the level of moral foundations, things look rather different. For Spencer, thinking about the moral foundations by which existing social institutions ought to be tested is explicitly analogized to thinking about geometry – which, I suppose, is a subject that one really *could* adequately understand by locking oneself away in the closet and thinking hard enough about it. Just as in thinking about geometry we use our “geometric sense” to discover certain indisputable truths from which other truths may be derived, “so it is the office of the moral sense to originate a moral axiom, from which reason may develop a systematic morality.”[6]

The truths with which reason provides us, moreover, are certain and absolute. Thus:

Nature's rules ... have no exceptions. The apparent ones are only apparent; not real. They are indications either that we have not found the true

law, or that we have got an imperfect expression of it.[7]

And

Either society has laws, or it has not. If it has not, there can be no order, no certainty, no system in its phenomena. If it has, then are they like the other laws of the universe—sure, inflexible, ever active, and having no exceptions.[8]

How is this related to rationalism? Well, consider the analogy with geometry again. The Pythagorean Theorem is not a mere rule of thumb. It is an absolute, universal, exceptionless principle. And we know this because it was logically derived from a set of equally absolute, universal, and exceptionless principles. If we run into something that appears to be a counterexample, then the correct inference is that we must have made a mistake, either in our identification of the case as an apparent counterexample to our principle, or in the derivation of the principle itself. But true geometric principles, like true moral ones, admit of no exceptions.

For Spencer, then, Reason (with a capital “R,” as Hayek would say), gives us an absolute and exceptionless moral foundation, and Reason allows us to derive from that foundation a series of equally absolute and exceptionless subordinate principles. And should those principles conflict with common opinion, or existing social practice, it is common opinion and practice that must give way.

Now compare this with Molinari's argument for anarchism. As we have noted, Molinari's argument for anarchism proceeds on the basis of a few simple economic principles:

That in all cases, for all commodities that serve to provide for the tangible or intangible needs of the consumer, it is in the consumer's best interest that labor and trade remain free, because the freedom of labor and of trade have as their necessary and permanent result the maximum reduction of price.[9]

And that

the interests of the consumer of any commodity whatsoever should always prevail over the interests of the producer.

From which it follows, Molinari claims, that

the production of security should, in the interests of the consumers of this intangible commodity, remain subject to the law of free competition.

And thus that

no government should have the right to prevent another government from going into competition with it, or to require consumers of security to come exclusively to it for this commodity.

And what is the status of this conclusion? Is it put forward as a hypothesis to be tested empirically? Should we try anarchism out, see how it works, and wait until the data is in before making any final judgments regarding its merit?

Far from it. Notice the striking parallel with Spencer in Molinari's response to the suggestion that the market for security might be different from other markets.

It offends reason to believe that a well established natural law can admit of exceptions. A natural law must hold everywhere and always, or be invalid. I cannot believe, for example, that the universal law of gravitation, which governs the physical world, is ever suspended in any instance or at any point of the universe. Now I consider economic laws comparable to natural laws, and I have just as much faith in the principle of the division of labor as I have in the universal law of gravitation. I believe that while these principles can be disturbed, they admit of no exceptions.

[10]

Anarchism must work because economic theory tells us so, and economic theory consists of natural laws that have no exceptions. End of story.

There might be nonrationalist ways of getting to anarchism. John Hasnas's work seems to me to be a prime example.[11] But Molinari's work pretty clearly falls into the rationalist camp.

A final note. As I mentioned at the outset of this essay, David Hart seems to equate Hayek's "false individualism" with "radical" liberalism. He goes onto suggest that Hayek's own version of "true individualism" is insufficiently capable of recognizing the injustice of long-existing institutions like slavery, mercantilism, and so on. "This makes Hayek's view of existing institutions and traditions," he says, "look quite complacent and uncaring of the rights and liberties of ordinary people."

But I think that this characterization of Hayek's view paints him in an unfairly conservative light. The conservative position is one from which Hayek famously distanced himself in his essay "Why I Am Not a Conservative." [12] But this essay is only the most popular expression of a theme that runs throughout his work: We have good reason to give *qualified* deference to evolved moral principles, but not to be slavishly constrained by them. Thus in *The Constitution of Liberty*, he writes that

[I]t is, in fact, desirable that the rules should be observed only in most instances and that the individual should be able to transgress them when it seems to him worthwhile to incur the odium this will cause.... It is this flexibility of voluntary rules which in the field of morals makes gradual evolution and spontaneous growth possible, which allows further modifications and improvements. [13]

The tenability of this nuanced position is more than I can defend in this space, but it is a theme that Gerald Gaus has explored more deeply in several important papers. [14] Whether Hayek's position is (sufficiently) radical is, I suppose, a different question. It seems to me that Hayek's moderation is mainly *epistemic* in form. We have good reason to think that the conclusions of our own reason are highly imperfect and that evolved social institutions may embody more wisdom than we are capable of recognizing. Is this counsel of *epistemic* modesty incompatible with *political* radicalism? I suppose I don't think so. Indeed, given the inherent dangers of political radicalism, and the humanitarian disasters to which it all-too-frequently leads, it strikes me as especially good advice for the political radical to take to heart.

Endnotes

[1] See Spencer's discussion in chapter 3 of *Social Statics* (New York: Robert Schalkenbach Foundation, 1970), online at: CHAPTER III.: The divine idea, and the conditions of its realization. <http://oll.libertyfund.org/titles/273#lf0331_label_079>. As Spencer writes there, "It is one thing ... to hold that greatest happiness is the creative purpose, and a quite different thing to hold that greatest happiness should be the immediate aim of man" (61).

[2] David O. Brink, “Mill’s Ambivalence About Rights,” online at: <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=979081>.

[3] Spencer, *Social Statics*, chapter VI, p. 95, online at: Herbert Spencer, *Social Statics: or, The Conditions essential to Happiness specified, and the First of them Developed*, (London: John Chapman, 1851). Chapter VI.: First principle. <http://oll.libertyfund.org/titles/273#Spencer_0331_218>.

[4] “Individualism: True and False” in Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948).

[5] *Ibid.*

[6] *Social Statics*, Introduction, “The Doctrine of the Moral Sense,” online at: <http://oll.libertyfund.org/titles/273#lf0331_head_014>.

[7] *Ibid.*

[8] *Ibid.*

[9] “The Production of Security.”

[10] *Ibid.*

[11] See his “Toward an Empirical Theory of Natural Rights,” online at: <<http://faculty.msb.edu/hasnasj/GTWebSite/SPPCPublishedArticle.pdf>>, and “The Obviousness of Anarchy,” online at: <<http://faculty.msb.edu/hasnasj/GTWebSite/Obvious.pdf>>.

[12] Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 2011).

[13] *Ibid.*, pp. 123-24.

[14] See his “The Evolution of Society and Mind: Hayek’s System of Ideas,” online at <<http://www.gaus.biz/HayekOnEvolution.pdf>>, and his “Social Complexity and Evolved Moral Principles” online at <<http://www.gaus.biz/Gaus-SocialComplexity.pdf>>.

14. Roderick T. Long on “Molinari, Socialist Anarchism, and the Dissolution of the State”

To be GOVERNED is to be kept in sight, inspected, spied upon, directed, law-driven, numbered, enrolled, indoctrinated, preached at, controlled, estimated, valued, censured, commanded, by creatures who have neither the right, nor the wisdom, nor the virtue to do so. – Proudhon

When I see a man who is called a friend of the people, I begin by securing what I have in my pockets. – Bellegarrigue

David H.’s mention of Molinari’s enthusiasm for “working class entrepreneurs” points to an interesting parallel between Molinari’s ideas and those of another anti-state radical active in France during the same era: the socialist anarchist Pierre-Joseph Proudhon, whose vision for society was one of small-scale ownership by artisans and peasants.

The parallels between Molinari and Proudhon can easily go unnoticed, since Proudhon is widely thought of as an archenemy of private ownership; he is best known, after all, for his dictum that “property is theft” – a thesis that has led to Proudhon’s being taken to task, by critics ranging from Karl Marx to Isabel Paterson, for allegedly failing to see that the concept of theft presupposes the concept of property.[1]

But this opposition is misleading. Proudhon distinguished two forms of individual ownership, which he called *property* and *possession*, differing from one another in the details of their rules of use, acquisition, and transfer; he opposed the form he called property, but favored the form he called possession, which he saw as combining the best aspects of property and communism while avoiding the defects of each.[2] Property, the unjust form of individual ownership, he saw as a violation or “theft” of possession, the just form of individual ownership. Proudhon was a “socialist” in the sense of favoring worker control of industry; but that control was not primarily envisioned as being *collective*.

Proudhon’s relationship to French liberals of the Say school was complicated, as each side professed a consistent commitment to free markets while condemning the other’s commitment as inconsistent. Proudhon

and Frédéric Bastiat (who as delegates to the National Assembly sat on the same, “left” side) both praised and attacked each other,[3]while Karl Marx criticized Proudhon for being too complimentary to Charles Dunoyer.[4]One of Proudhon’s first publications appeared in the *Journal des Économistes*, the chief liberal organ.[5]And Proudhon’s “mutual bank” proposal (whatever its merits) resembles Molinari’s “labor-exchange” proposal (whatever its merits) in being an attempt to ameliorate the condition of the working class by undermining the power of the capitalist class through voluntary association for mutual aid.

I’ve mentioned in my original essay how Molinari’s 1888 call for “the diffusion of the state within society” appears to be a deliberate echo of Proudhon’s 1851 call for “the dissolution [or sometimes “absorption”] of the state in the economic organism.” As I’ve noted elsewhere[6] this language suggests “on the one hand, that the vision of a stateless society is not one in which the services of adjudication and rights-protection have been eliminated, but rather one on which they have been assumed by voluntary economic institutions – and on the other, that the process of getting there employs economic rather than political means, a peaceful dissolution rather than a violent overthrow.” Both suggestions are corroborated by Proudhon’s writings.

As Brad Spangler has pointed out,[7]Proudhon in his 1851 *General Idea of the Revolution*[8]quite clearly advocates the privatization, not the elimination, of arbitration and security services, as well as an emphasis on restitution over punishment (though he does not repudiate punishment entirely):

It is industrial organization that we will put in place of government In place of laws, we will put contracts. ... No more laws voted by a majority, nor even unanimously; each citizen, each town, each industrial union, makes its own laws. ... In place of political powers, we will put economic forces. ...

[B]oth citizens and communities will have no need of the intervention of the State to carry on their business, take care of their property, build their ports, bridges, quays, canals, roads, establish markets, transact their litigation, instruct, direct, control, censor their agents, perform any acts of supervision or police, any more than they will need its aid in offering their adoration to the Most High, or in judging their criminals and putting it

out of their power to do injury, supposing that the removal of motive does not bring the cessation of crime [T]he machinery of lawsuits then will reduce itself to a simple meeting of witnesses; no intermediary between the plaintiff and defendant, between the claimant and the debtor, will be needed except the friends whom they have asked to arbitrate

I understand that these men who are at war with their fellows should be summoned and compelled to repair the damage they have caused, to bear the cost of the injury which they have occasioned; and, up to a certain point, to pay a fine in addition, for the reproach and insecurity of which they are one of the causes, with more or less premeditation. I understand, I say, this application of the laws of war between enemies. ... But that beyond this, these same people should be shut up, under the pretext of reforming them, in one of those dens of violence, stigmatized, put in irons, tortured in body and soul, guillotined, or, what is even worse, placed, at the expiration of their term, under the surveillance of the police, whose inevitable revelations will pursue them wherever they may have taken refuge; once again I deny, in the most absolute manner, that anything in society or in conscience or in reason can authorize such tyranny.

Whether these suggestions owe anything to Molinari is hard to say, though Proudhon did read the *Journal des Économistes* and so was surely aware of “The Production of Security” from 1849; the prospect of a line of influence from 1849 Molinari to 1851 Proudhon to 1888 Molinari is tantalizing but elusive. Note, in any case, how Proudhon’s contrast between “industrial” and governmental approaches to social organization echoes the ideas of earlier liberals like Dunoyer, Comte, and Thierry (who also influenced Molinari), and parallels the similar distinction that Spencer was drawing contemporaneously in England.

Likewise Proudhon, though occasionally willing to call upon the state to help implement his program, ordinarily sees reform as arising from below, through economic rather than political means. For Proudhon, liberty is “not the daughter but the *mother* of order.”[9] In his 1849 essay “The State,”[10] he explains that the economic revolution consists not in “levying additional taxes on the wealthy and property-holding classes” but in “opening usurious credit to competition and thereby causing capital to lose its income,” and replacing the

“whole system of existing taxes” with a single “insurance premium” – whereupon competition will grow “emulative and fruitful,” while government will become “first useless and then impossible.”

Another contemporary French thinker who merits comparison with Molinari and Proudhon is Anselme Bellegarrigue, whose 1850 *Anarchy: A Journal of Order*, [1] though it ran for only two issues, appears to be the first anarchist periodical to employ the term in its title. Given his embrace of the term “anarchy,” first popularized by Proudhon as a term for voluntary social order, Bellegarrigue presumably owes something to Proudhon; and he certainly shares Proudhon’s taste for paradoxical-sounding maxims (“Anarchy is order,” Bellegarrigue proclaims, while “government is civil war”). Bellegarrigue also mentions Proudhon’s journal favorably, as an exception to the rule that there is “not one French newspaper that I can read without being moved either to great pity or profound contempt for the writer”; yet the highest praise he manages to give it is that it “from time to time ... breaks with the old routine in order to cast a little light on the general interest” (*Anarchy*, No. 1), and – like Molinari – he frequently throws Proudhon’s name in with those of statist socialists he opposes. He is thought to have been an admirer of Thoreau, whom he apparently visited during his trip to America; and some of his egoistic language in *Anarchy* suggests the influence of Max Stirner. Whether he was influenced by Molinari (or perhaps vice versa?) is difficult to determine.

Like Proudhon, Bellegarrigue took the “socialist” side in the dispute between labor and capital, describing labor as “expropriated by power at bayonet point, for the benefit of capital.” (No. 1) Yet Bellegarrigue also describes his favored anarchist revolution as “a good deal for the noble, the bourgeois and the worker.” (No. 2) Bellegarrigue denies that a just social order ever requires the sacrifice of an individual’s interest to the interest of any other individual or group of individuals; since “my interest is the equal of any other’s,” he argues, “I cannot owe more than is owed to me.” (Bellegarrigue’s point here anticipates John Rawls’ charge against utilitarianism, and Robert Nozick’s charge against Rawls, of not taking seriously the “distinction between persons.”)

For Bellegarrigue, society is simply a “vast combination of material and personal interests,” while the

“collective or State interest” – for whose sake “dogma, philosophy and politics together have thus far demanded wholesale or partial forswearing of individuals and their assets” – is a “sheer figment.” He clarifies, however, that he does not “wish utterly to deny the collective interest.” Bellegarrigue explains:

Society is the inescapable consequence of the aggregation of individuals; likewise the collective interest a providential and inevitable consequence of the aggregation of personal interests. The collective interest will only be fully realised to the extent that it leaves personal interest untouched; because, if the collective interest is understood to be the interest of all, in any society it requires only trespass against the interest of one single individual for the collective interest to cease immediately from being in everyone’s interest and, as a result, for it to cease to exist. ... But when the name of collective interest is bestowed upon the one in light of which they shut down my workshop, prevent me from pursuing such and such an activity, impound my newspaper or my book, trespass against my liberty, ban me from becoming a lawyer or doctor ... I declare that I cannot understand it, or rather, that I understand only too well.” [No. 1]

While a radical individualist, Bellegarrigue is no social atomist; [12] on the contrary, for Bellegarrigue it is precisely because “men are by nature social,” and our “natural condition is of itself the state of society,” that there “cannot be a social contract,” inasmuch as “society is not an artificial construct” and it is “absurd ... to try to establish by contract that which is already and inevitably constituted.” (No. 1) “[I]t is when the authority of each is equal to that of all that the social balance is inevitably achieved.” (No. 2)

Bellegarrigue too accepts the dissolution-of-the-state approach, both in the sense of favoring the privatization of the state’s protective functions and in the sense of preferring economic rather than political means to achieving this goal (though this did not deter him from admiring American political institutions, despite their monopolistic character and violent origins).

Like Molinari, Bellegarrigue regards the provision of security as a business, whose customers should be free to accept or decline. As he writes in another work, “To the Point! To Action!,” [13] published the year before Molinari’s “Production of Security” and *Soirées*:

If it is a profession to govern, then I demand to see the products of that profession, and if those products are not to my liking, then I proclaim that to force me to consume them is the oddest abuse of authority that one man can exercise on another.

But unlike Molinari – the Molinari of 1849, at least – Bellegarrigue appears not to have envisioned the voluntary provision of security as involving competing firms. Instead, a bit like the Molinari of 1899, he seems to have conceived of a single security organization for a given territory, but one which would win universal *voluntary* consent by confining itself to the “two points ... on which the good sense of all parties converge,” namely “repression of crime against the person and against property,” and “defense of the territory.” Since the organization would be voluntary, its personnel would count as “delegates” rather than “masters.” (“To the Point!”)

Bellegarrigue firmly rejects the notion that liberation requires seizing the reins of state power, either by electoral or by revolutionary means. Arriving back in Paris from a trip to America, in the midst of the 1848 revolution, Bellegarrigue encountered an earnest young revolutionary who “boasted to him that this time the workers would not be robbed of their victory.” Bellegarrigue replied: “They have robbed you already of your victory Have you not named a government?” [14] Unlike some of his more pessimistic contemporaries, Bellegarrigue thinks that the collapse of the July Monarchy offered a genuine opportunity to realize a viable anarchist society in mid-19th-century France:

In the last years of the reign of Louis-Philippe, the Revolution, – and by this word I mean the development of interests, – had so undermined the government that it split on all sides, and through its numerous fissures, badly repaired with the aid of the emergency laws, was introduced in continuous jets the free flood that should have carried it away. [*Anarchy*, No. 2]

But the revolution failed to fulfill its liberatory potential because it relied on the wrong methods.

“I do not believe at all in the efficacy of armed revolution” (“To the Point”), Bellegarrigue writes, instead pointing to a superior mode of revolution for which “neither rifle nor barricade nor riot, nor zealotry, nor factionalism nor voting is required.” (*Anarchy*, No. 1)

Like his 16th-century predecessor Étienne de la Boétie, [15] Bellegarrigue sees state power as resting on popular acquiescence and impossible to sustain without it; hence, again like Boétie, he calls for its overthrow by means of “the force of inertia, the denial of assistance” (“To the Point!”) – in other words, mass civil disobedience, whereby individuals shift their allegiance from the state to voluntary institutions and relationships, simply ignoring or bypassing the mechanisms of government. “Turn your backs on government and on the parties which are merely its lackeys,” he advises. “Contempt kills governments, because only strife can sustain them.” (*Anarchy*, No. 1)

Bellegarrigue contrasts the “true Revolution, that of individual needs and interests,” in which “each seeks to enrich himself by labor and industry” – a revolution that calls for “the calm which multiplies transactions and constantly displaces wealth by mobilizing and developing it,” and “struggles with vigor against the nuisances and barriers of the tyrannical regulations of the governments” – with the self-styled revolutionaries, busybodies who “offer themselves as replacements in power for men already pushed aside by the force of things,” and “consolidate the governmental mastery that business was in the process of subjugating.” If the revolutionaries had “set themselves to glorifying the industrial initiative of individuals” and “taught individuals to count only on themselves,” instead of “teaching them [to] expect everything from the lame Providence of governments, then “liberty, which, whatever the sophists say, is a question of coins, and happiness which, whatever the idlers say, is a question of morality and labor, would have been universally established in France,” and “the government, forgotten in its corner, would hardly concern us.” The true Revolution is a “stranger to politics” and “simply a question of economy.” (*Anarchy*, No. 2)

The parallels between the “capitalist” Molinari and the “socialists” Proudhon and Bellegarrigue should serve to remind us that concern for the radically liberatory potential of unhampered markets cuts across traditional political labels. [16]

Endnotes

[1] [“[S]ince ‘*theft*’ as a forcible violation of property *presupposes the existence of property*, Proudhon entangled himself in all sorts of fantasies” Marx, Letter to J. B. Schweizer, 24 January 1865; online: <http://marxists.org/archive/marx/works/1865/letters/65_01_24.htm> “Perhaps the most senseless phrase ever coined even by a collectivist is that of Proudhon: ‘All property is theft.’... Theft presupposes rightful ownership. An object must be property *before* it can be stolen.” Paterson, *God of the Machine*, 1943, Ch. 17; online: <<http://mises.org/document/3363/God-of-the-Machine>>.]

[2] Proudhon writes, for example: “[T]he man who takes possession of a field, and says, ‘This field is mine,’ will not be unjust so long as every one else has an equal right of possession; nor will he be unjust, if, wishing to change his location, he exchanges this field for an equivalent. But if, putting another in his place, he says to him, ‘Work for me while I rest,’ he then becomes unjust, unassociated, *unequal*. He is a proprietor. ... Individual *possession* is the condition of social life *Property* is the suicide of society. Possession is a right; property is against right.” Proudhon, *What Is Property*, 1840; online: <<http://marxists.org/reference/subject/economics/proudhon/property/ch05.htm>>. In his 1865 *Theory of Property*, Proudhon would later modify his views in certain respects, becoming more accommodating toward property – to a degree that I think has been exaggerated by some interpreters and understated by others. But the complicated details need not detain us here. (For those interested in complicated Proudhon details, I recommend Shawn Wilbur’s excellent blog: <<http://libertarian-labyrinth.blogspot.com>>).

[3] See the Bastiat-Proudhon Debate on Interest (1849-1850), online: <<http://praxeology.net/FB-PJP-DOI.htm>>.

[4] Marx, Letter to J. B. Schweizer, 24 January 1865, op cit.

[5] “On Competition Between Railways and Waterways,” *Journal des Économistes*, May 1845.

[6] Long, “The Economic Dissolution of the State”; online: <<http://praxeology.net/RTL-pcpe2011.pdf>>.

[7] Spangler, “Proudhon and Market Anarchism”; online: <<http://web.archive.org/web/20070301020620/http://www.bradspangler.com/blog/archives/511>>.

[8] Proudhon, *General Idea of the Revolution in the Nineteenth Century*, 1851; trans. John Beverly Robinson, 1923; online: <<http://fair-use.org/p-j-proudhon/general-idea-of-the-revolution>>.

[9] Proudhon, *Solution of the Social Problem*, 1848; partially online: <<http://libertarian-labyrinth.org/proudhon/psotsp.pdf>>.

[10] Proudhon, “The State: Its Nature, Object, and Destiny,” *Voice of the People*, 3 December 1849; translated by Benjamin R. Tucker; online: <<http://libertarian-labyrinth.org/proudhon/state-tucker.pdf>>.

[11] Bellegarrigue, *Anarchy: A Journal of Order*; no. 1, April 1850, trans. unknown; online: <<http://brh.org.uk/articles/anarchist.pdf>>; no. 2, May 1850, trans. Shawn P. Wilbur; online: <<http://libertarian-labyrinth.org/booklets/bellegarrigue-anarchy2-a.pdf>>.

[12] Contrary to popular stereotypes, there is more often an opposition, rather than an affinity, between atomism and radical individualism. As I’ve written elsewhere, atomists “tend to see human interests as naturally conflictual, and thus do not expect social order to emerge unless it is imposed on society by coercive authority,” leading them to be suspicious of radical individualism; conversely, since radical individualists typically “see human interests as harmonious and social cooperation as natural,” they are more likely to be open to “trusting individuals to pursue their goals without coercive control.” Long, “The Classical Roots of Radical Individualism,” *Social Philosophy and Policy* 24, no. 2, July 2007, pp. 262-297; online: <<http://praxeology.net/RadGreek.PDF>>.

[13] Bellegarrigue, “To the Point! To Action! An Interpretation of the Democratic Idea,” 1848; trans. Shawn P. Wilbur *et al.*; online: <<http://libertarian-labyrinth.org/booklets/tothepoint-a.pdf>>.

[14] George Woodcock, *Anarchism: A History of Libertarian Ideas and Movements* (New York: The World Publishing Company, 1962), pp. 276-78.

[15] La Boétie, *Discourse of Voluntary Servitude*, 1576; online: <<http://oll.libertyfund.org/titles/tie-the-discourse-of-voluntary-servitude>>.

[16] For further elaboration of this point, see Gary Chartier & Charles W. Johnson, eds., *Markets Not Capitalism: Individualist Anarchism Against Bosses, Inequality, Corporate Power, and Structural Poverty* (Minor Compositions, 2011); online: <<http://radgeek.com/gt/2011/10/Markets-Not-Capitalism-2011-Chartier-and-Johnson.pdf>>.

15. Roderick T. Long on “Molinari’s Influence”

I’ve argued that Molinari was a likely influence on de Puydt, and a possible influence on Proudhon and Bellegarrigue. But none of these writers adopted Molinari’s specific proposal of competing security firms; de Puydt substituted competing service packages offered by a single monopoly, Bellegarrigue called for a monopoly security agency as well (albeit a voluntary one), and Proudhon’s proposal is too short on details – at least in the texts I’ve read.

So what influence, if any, did Molinari’s competitive-provision-of-security proposal have? It’s difficult to say. It would be particularly interesting to know whether Molinari influenced Benjamin Tucker, editor of *Liberty* (1881-1908 – almost exactly the same years as Molinari’s editorship of the *Journal des Économistes*), the leading individualist anarchist periodical of the 19th century U.S.

In 1887, Tucker described a system for security provision very much like the one advocated by Molinari:

There are many more than five or six Churches in England, and it frequently happens that members of several of them live in the same house. There are many more than five or six insurance companies in England, and it is by no means uncommon for members of the same family to insure their lives and goods against accident or fire in different companies. Does any harm come of it? Why, then, should there not be a considerable number of defensive associations in England, in which people, even members of the same family, might insure their lives and goods against murderers or thieves? ... [D]efence is a service, like any other service ... [and] competition prevailing, patronage would go to those who furnished the

best article at the lowest price If, then, five or six States were to hang out their shingles, the people, I fancy, would be able to buy the very best kind of security at a reasonable price.[1]

Coincidence, or evidence of influence? Here’s the (purely circumstantial) evidence for each side:

Evidence **for** Molinari’s influence on Tucker:

1. Tucker is the 19th-century anarchist (other than those subsequently influenced by Tucker himself, such as Francis Tandy[2] whose proposal for security is most similar to Molinari’s.
2. Tucker read French fluently, and kept *au courant* on contemporary French literature; and he was familiar with Molinari’s *Journal des Économistes*, describing it as the “foremost economic periodical of the world.”[3]
3. Molinari was widely known in his day, with books reviewed by Henry James, Thorstein Veblen, and Lord Acton; and Tucker mentioned Molinari in 1888,[4]and published a book review about Molinari in 1904.[5]

Evidence **against** Molinari’s influence on Tucker:

1. Tucker mentions a number of thinkers who influenced him, but never mentions Molinari as having done so.
2. It would be easy to be broadly familiar with Molinari without knowing about his production-of-security views, especially since their major statement had been published before Tucker’s birth.
3. It would be odd for Tucker’s 1888 article not to mention Molinari’s anarchist side, had Tucker known about it. Moreover, the 1904 *Liberty* book review (printed in the editorial section, and so enjoying Tucker’s endorsement)[6] hailed Molinari as an anarchist on the basis of *The Society of Tomorrow*, making no mention of Molinari’s earlier commitment to still more anarchistic views, and it would again be odd for Tucker not to have mentioned this fact to the author had he known about it – and likewise odd for the author not to refer to it had Tucker mentioned it.

It would also be interesting to know how much influence Molinari had on 20th-century market anarchism, and particularly how early. Murray Rothbard, for one, seems to have been aware of Molinari as early as 1954 – but to have developed the core of his own theory by 1949;[7] he might perhaps have learned of

Molinari from Robert LeFevre, Leonard Liggio, or Ralph Raico, but when? (In related news, LeFevre's journal reprinted de Puydt's "Panarchy" in 1966.)[8]

Endnotes

[1] Benjamin R. Tucker, "Contract Or Organism, What's That To Us?," *Liberty*, 30 July 1887; online: <<http://fair-use.org/benjamin-tucker/instead-of-a-book/contract-or-organism>>.

[2] See, e.g., Francis Dashwood Tandy, *Voluntary Socialism: A Sketch* (Denver, 1896), ch. 5; online: <<http://praxeology.net/FDT-VS-5.htm>>.

[3] Benjamin R. Tucker, "A French View of Boston Anarchists," *Liberty* 6.4 (whole no. 134, 29 September 1888), p. 4; online: <<http://libertarian-labyrinth.org/liberty/06-04.pdf>>.

[4] *Ibid.*

[5] S.R. [probably S. H. Randall], "An Economist on the Future Society," *Liberty* 14.23 (whole no. 385, 2 September 1904), p. 2; online: <<http://praxeology.net/SR-GM-SF.htm>>.

[6] The editorial page of *Liberty* begins with the announcement: "The appearance in the editorial column of articles over other signatures than the editor's initial indicates that the editor approves their central purpose and general tenor, though he does not hold himself responsible for every phrase or word."

[7][I owe this information to Brian Doherty, David Gordon, and Joseph Stromberg.

[8] Paul-Émile de Puydt, "Panarchy," trans. Adrian Falk, *Rampart Journal* 2.3 (Fall 1966); I owe this information to Charles W. Johnson.

16. David M. Hart Reply to Matt Zwolinski "On Molinari, Hayek, and Rationalism"

The role of rationalism in Molinari's social theory cannot be described, as Matt seems to, as "locking [himself] away in [his] closet and thinking about it hard enough." This would be a caricature that ignores Molinari's intense activity in the real world as an economic journalist, activist for workers' rights and free trade, observer of socialist clubs, participant in revolution, and travel writer. In a broader context, it is a misunderstanding of the academic and publishing agenda of the entire group of political economists associated with the Guillaumin publishing firm, which from the early 1840s published a steady stream of books, dictionaries, and collections of economic data about all the major industries and national economies of Europe.[1] At the heart of the classical-liberal political economy movement was an empirical program to observe the economic world as it currently existed, to try to understand it using the latest economic theory, and to revise and extend that theory in the light of this new empirical knowledge; in other words they had an interest in both "Theorie und Praxis." As Robert Leroux has observed, they considered what they were doing to be a "science" that was rational, testable, and subject to constant revision.[2] What made them escape the trap of "scientism" was their belief that they were dealing with individual economic actors who could think and choose, and who would act on these choices if the state left them free to do so. They were not the plastic pawns that socialists like Charles Fourier thought could be molded into "phalanxes" and other artificial social and economic structures.

Beneath the scaffolding of economic data that they so carefully collected and published was a well-developed theory of individual liberty based upon natural-rights theory, a theory of politics based upon constitutional limited government and broadly based voting, a social theory of class conflict and societal evolution through stages, and an economic theory of free markets and laissez faire. Like the good empiricists they were, the political economists thought they could observe patterns and regularities in human behavior that they called "economic laws," which were analogous to the laws observed in the physical, or hard, sciences,

hence the subtitle and opening quotation in Molinari's book *Les Soirées*:

“entretiens sur les lois économiques et défense de la propriété” [conversations about economic laws and a defense of property]

and the opening quote from the Physiocrat Quesnay: “Il faut bien se garder d'attribuer aux lois physiques les maux qui sont la juste et inévitable punition de la violation de l'ordre même de ces lois, instituées pour opérer le bien.” [It is necessary to refrain from attributing to the physical laws the evils which are the just and inevitable punishment for the violation of this very order of laws, which have been instituted in order to produce good.]

Like the good heirs of the French Enlightenment that they also were, the political economists believed that Reason provided a gateway into understanding the nature of the human condition, what principles made it possible for human beings to live peacefully and productively in society, and why living peacefully and productively were important things to strive for. Thus their belief in things like the benefits of free trade and limited government intervention in the economy were supported by two ways of thinking that mutually reinforced each other -- the empirical economic reality that surrounded them and the logic of human action that they could think and reason about by means of internal reflection. That each way of thinking seemed to support and reinforce the other in grounding the principle of individual liberty on the one hand and free-market societies on the other gave the political economists the confidence to agitate for radical reform.

Bastiat went further than his colleagues in developing an Austrian-like theory of human action in his use of thought experiments involving Robinson Crusoe and Friday; through these thought experiments he would explore, firstly, the possible choices Crusoe faced based upon the resources he had at hand, the time available to him, his skills, his time preferences, and so on.[3] Then Bastiat introduced a second player into the game, Friday, and explored how a second person opened up the possibility of the division of labor and exchange. This procedure broke dramatically with traditional classical political economy, which was concerned with the creation of “wealth” and “exchange” (Richard Whately explicitly rejected the use of Crusoe to explain economic action because as a

single individual he did not engage in exchange, which for Whately defined economics. Hence what Crusoe did was not “economics”).[4] With these thought experiments (which he was the first to use in a serious way), Bastiat came closest to Matt's picture of the rationalist locking himself away in a room and spinning economic ideas out of his head. Yet one should also keep in mind that Bastiat was no *Luftmensch*, since his command of masses of economic data was very impressive, as his political colleagues recognized when they appointed him vice president of the Finance Committee in the revolutionary government in 1848. In all his writings, especially the *Economic Sophisms*, which were written between 1845 and 1848, Bastiat constantly draws upon economic data to support his case for economic liberty, and I have only found one occurrence where I was not able to confirm his accuracy. (It concerned state subsidies for the colonization of Algeria.) I think Bastiat exemplifies the mid-19th-century French liberal combination of reasoning from first principles, confirming these principles through empirical observation, and then engaging in “reasoned action” in order to bring about liberal reforms. His young friend and colleague Molinari was not far behind him in this.

The area in which the reasoning of the economists fell down most badly was the Malthusian theory of population growth. The data available to Malthus were patchy, and his predictions of the future growth of both population and food production may have seemed plausible in the 1790s. But they were exposed as wrong as the 19th-century explosion of industrial development progressed. Yet Molinari remained an ardent Malthusian throughout his life, publishing works on Malthus as late as the 1880s, when he was the editor of the *Journal des Économistes* and was becoming increasingly pessimistic about the prospects for liberty given the rise of socialist parties in the Third Republic, the resurgence of support for protectionist policies, and the dismemberment of Africa by the European colonial powers. Bastiat, on the other hand, as early as the late 1840s wrote some revisionist essays on Malthus' theory, ultimately rejecting it as false on theoretical grounds because it ignored the positive aspects of his theory of human capital and the extension of the division of labor made possible by a larger population, and on empirical grounds (which were not yet fully apparent to observers in 1850 but were predictable) as the benefits

of international free trade brought grain and meat producers in Russia, Australia, and the USA into the world market, thus drastically lowering the cost of food.

Finally, I would like to pose a few questions to the Hayekian opponent of rationalism:

1. When is it permitted to use our reason to change the world around us, especially if in doing so we are obliged to alter well-established institutions, customs, and beliefs?
2. What does the classical liberal do when the institutions around us are massively unjust and impervious to significant change?
3. Can there ever be a Hayekian theory of revolution? (I suspect not).

In the mid- and late-1840s Molinari and Bastiat actively sought to reform the French state by agitating for the right of workers to form unions, opposing the policy of tariffs and subsidies for French industry, opposing slavery, and opposing French military and colonial policy. In none of these areas were they successful. When revolution broke out in February 1848 they seized the chance offered to influence the direction the revolution might go in. They engaged in street journalism, publishing, electoral politics, and intellectual activities, such as attending the debating societies that sprang up once the censorship laws had broken down. Needless to say, they were not successful, being outnumbered on the left by the socialists and on the right by the Conservatives and the Bonapartists. What would Hayek have done if he had been living at this time? What would Hayek have done if he were a young man on the streets of any of the Eastern Bloc countries in 1990-91? Would he have been handing out free trade articles on the street like Molinari and Bastiat did in 1848?

Bastiat died at the end of 1850, and Molinari left France to continue his academic activities in Belgium during the 1850s and 1860s. His subsequent career as a journalist, author, and editor shows that events pushed him into adopting a long-term Hayekian strategy of intellectual, not political, agitation for the rest of his life. Perhaps in this case, Hayek does in fact have the *Ultima verba*.

Endnotes

[1] Articles with tables of economic and statistical data were a feature of the main periodicals of the Guillaumin press, the *Journal des Économistes* (1841-) and the *Annuaire de l'économie politique et de la statistique* (1844-). See also the data included in the hundreds of articles in the *Dictionnaire de l'économie politique* (1852-53). Almost every book published by Guillaumin also contained economic data on a huge range of topics.

[2] Robert Leroux, Chap. 4 “Salvation through Science” in *Political Economy and Liberalism in France: The Contributions of Frédéric Bastiat* (London: Routledge, 2011).

[3] References to Robinson Crusoe can be found in *Economic Sophisms* (ES) 3 14 (forthcoming), “Making a Mountain out of a Mole Hill” (c. 1847), and ES2 14, “Something Else” (March 21, 1847) <http://oll.libertyfund.org/titles/276#Bastiat_0182_1644>. In addition, there is a discussion of how a negotiation might have taken place between Robinson and Friday about exchanging game and fish in “Property and Plunder” (July 1848), *Collected Works*, vol. 2, p. 155 “Second Letter” <http://oll.libertyfund.org/titles/2450#Bastiat_1573-02_1095>; and there are 16 references to “Robinson” in the *Economic Harmonies*, especially in Chapter 4 “Exchange” <<http://oll.libertyfund.org/titles/79/35504>>, for example here <http://oll.libertyfund.org/titles/79#Bastiat_0187_428>.

[4] Richard Whately, *Introductory Lectures on Political Economy* (1831), Lecture I. “A man, for instance, in a desert island, like Alex. Selkirke, or the personage his adventures are supposed to have suggested, Robinson Crusoe, is in a situation of which Political-Economy takes no cognizance,” <http://oll.libertyfund.org/titles/1377#Whately_0208_28>.

17. Matt Zwolinski on “Why Aren’t More Anarchist Societies Market Anarchist Societies?”

Does the fact that we have no examples of successful market anarchist societies cast doubt on the normative case for market anarchism? In this comment [Conversation no. 9] on anarchism, I suggested it did.

Roderick, however, is unpersuaded. After all, he says, in the 17th and 18th centuries the defenders of monarchy could have used this same argument against advocates of democracy; in the 19th century defenders of male supremacy could have used it against those who argued for women’s equality; and in the 21st century defenders of the welfare state can use it against advocates of minimal state libertarianism! That systems of oppressions have been the historical norm, Roderick concludes, does not in itself give us good reason to maintain those systems. And if we don’t have any examples of successful anarchist societies because we simply haven’t *tried* them, then that certainly isn’t a good reason for not trying *now*.

But, of course, we *do* have a lot of examples of anarchist societies – societies, that is, without a centralized state. It’s just that none of these anarchist societies are market anarchist societies. They are not, in other words, the kind of societies described by Molinari, Friedman, Rothbard, or Long in which protective services are sold by specialized firms in a competitive market with a network of arbitration agreements and so on. They are, instead, tribal and clan-based societies that, to borrow from Arnold Kling’s summary of Mark Weiner’s *The Rule of the Clan*, are based on “a set of rules and social norms which are inconsistent with libertarian values of peace, open commerce, and individual autonomy.”[1]

Is this a problem for market anarchism? That depends. If market anarchism is *purely* a normative theory – a theory about the form of social organization that would be morally best, or most just – then I suppose it is not. The fact that people unjustly kill each other all the time, after all, does not falsify the claim that murder is *wrong*. So, too, the fact that people without a state have not yet organized themselves along market lines does not show that they *shouldn’t* do so.

But market anarchism, as I understand it, is more than *just* a normative theory. It is also, at least in part, a *predictive* theory. It is a theory about how rational individuals *will* satisfy their need for security in the absence of a state. In the same way that economists predict that employers will respond to an increase in the minimum wage by decreasing employment, market anarchists predict that individuals will respond to the unmet need for security by engaging in specialization and trade, and that a competitive market in protective services will emerge.

But this doesn’t appear to be what actually happens in the absence of a state. Either the market doesn’t appear at all, or it is quickly and permanently replaced by a state.

So if market anarchism is understood not merely as a normative theory, but as a predictive one as well, then the absence of market anarchist societies constitutes not just a *lack* of confirming examples, it actually constitutes a wealth of *counterexamples*. This is much more damning evidence against market anarchism – as a predictive theory of course, but possibly as a normative theory, too, since the kinds of things that might have gone wrong to undermine the theory’s predictions might undermine at least some of our normative judgments about market anarchism as well. For instance, if market anarchist societies never get off the ground because they are easy prey for their state-based neighbors, then this should give us reason to doubt that market anarchist societies possess the normatively attractive feature of stability, and so should give us pause before we rush to transform our own society into one.

Moreover, this sort of evidence seems immune to Roderick’s charge that it could just as well have been used to defend monarchy, patriarchy, or the welfare state. In those cases, we genuinely had no examples – and so no direct empirical evidence that the systems would work, or fail to work. But we have examples of anarchist societies. Lots of them. It just that, for some reason, they don’t seem to work in the way that market anarchists say they will.

So why is that? A number of possibilities come to mind. Perhaps, as we alluded to above, market anarchist societies are unable to overcome the collective action problems so as to defend themselves against their statist neighbors. Or perhaps market anarchism is in some way incompatible with some deep-seated fea-

ture of human psychology – our desire to identify with some collective whole that is not reducible to (and subject to modification by) voluntary contractual arrangements.

Or maybe – and this strikes me as the most optimistic diagnosis from the market anarchist perspective – people in previous anarchist societies just hadn’t figured it out yet. Competition is, after all, a discovery procedure[2] And it takes time and experimentation for societies to figure out more efficient ways of meeting their needs. Contemporary insurance markets and arbitration networks are much more sophisticated than those of even 50 years ago. So the fact that societies before ours hadn’t figured out how to make market anarchism work doesn’t show that it *can’t* work, any more than the fact that societies of the 19th century hadn’t figured out how to make television work demonstrates the impossibility of that technology. Some things just take time to figure out.

I’m genuinely unsure as to which of these explanations, or more likely, which combination of them and others I have not considered, provide the best explanation. But I’m curious to hear from my market anarchist colleagues. So tell me. If market anarchism is so great, then why haven’t we seen more successful market anarchist societies?

Endnotes

[1] Arnold Kling, "State, Clan, and Liberty" *Econlib* (May 6, 2013) <<http://www.econlib.org/library/Columns/y2013/Klingclan.html>> and Mark S. Weiner, *The Rule of the Clan: What an Ancient Form of Social Organization Reveals About the Future of Individual Freedom*. (Farrar, Strauss, and Giroux), 2013.

[2] F. A. Hayek, "Competition as a Discovery Procedure," *The Quarterly Journal of Austrian Economics*, vol. 5, no. 3 (Fall 2002); online: <http://mises.org/journals/qjae/pdf/qjae5_3_3.pdf>.

18. Roderick T. Long on “Inflationary Rationalism”

Matt argues that anarchist thought counts as constructivist rationalism, even if it advocates giving free rein to spontaneous order, so long as the arguments for doing so are based on individual reason. For Matt, constructivist rationalism is a way of thinking, regardless of the content of what is thought. And he identifies Spencer’s case for the law of equal freedom, and Molinari’s insistence on absolute economic principles, as instances of such rationalism.

I think this attempt to make constructivist rationalism broader than a commitment to top-down rational planning of social institutions makes it so broad as to lose its edge as a tool of criticism. In particular, it makes it so broad that Hayek himself will count as a constructivist rationalist.

What, after all, is Spencer’s argument for the law of equal freedom (e.g., in *Social Statics*? It is that, given the variation in human abilities and preferences, there is no way for us to know enough to construct detailed universal advice as to how to act, and so we should instead just give maximum scope to each person to pursue happiness in her own way. If that makes Spencer a constructivist rationalist, what is Hayek?

As for Molinari’s absolute economic principles, Hayek himself argues that economic principles are knowable a priori and so do not require empirical testing.[1] Once again, Matt’s broadened definition of constructivist rationalism is so broad as to include Hayek. (Indeed, as far as I can see, it’s so broad as to condemn mathematics and geometry -- if content really is irrelevant as Matt claims.)

On a related point: as Charles Johnson has noted, [2] the term “spontaneous order” is used, by Hayek and others, in three different ways: a) consensual as opposed to coercive, b) polycentric/participatory as opposed to directive, and c) emergent as opposed to consciously designed. It’s a mistake, I think, to assume that these always go together, or are equally desirable in all contexts. In particular, I don’t think one is succumbing to constructivist rationalism if one sees the achievement of a free society as involving the building of a deliberate, coordinated social movement to inculcate certain values (in a manner neither directive nor

coercive). To employ once more my “Hayek quoque”: What else was Hayek doing in trying to “make the building of a free society once more an intellectual adventure, a deed of courage”?[3] Hayek had enough confidence in individual human reason to publish over twenty books, to found the Mont Pelerin Society, and so forth. He didn't sit back and wait for the market, or evolution, or tradition to take care of it. As Johnson likes to say: “We are market forces.”[4]

In a more recent comment, Matt also wonders why, if market anarchism is so great, real-life stateless legal orders are tribal and kinship-based rather than market-based. The simple answer is: They're not, or at least they aren't always. The suretyships of pre-Norman England were voluntary associations, not kinship-based.[5] Chieftains in medieval Iceland competed for clients, who could switch allegiance from one chieftain to another without regard either to kinship or to geography.[6] The private security associations of the American frontier were not kinship-based either.[7]

In any case, Matt's challenge to market anarchism can also be raised to minarchism: If minarchy is so great, why don't we see any states that are minarchies?

Endnotes

[1] F. A. Hayek, “The Facts of the Social Sciences,” in *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), ch. 3; online: <<http://mises.org/books/individualismandeconomicorder.pdf>>.

[2] Charles W. Johnson, “Women and the Invisible Fist: How Violence Against Women Enforces the Unwritten Law of Patriarchy”; online: <<http://charleswjohanson.name/essays/women-and-the-invisible-fist/women-and-the-invisible-fist-2013-0503-max.pdf>>.

[3] F. A. Hayek, “The Intellectuals and Socialism,” *The University of Chicago Law Review* (Spring 1949); online: <<http://library.mises.org/books/friedrich%20%20hayek/Intellectuals%20and%20Socialism.pdf>>.

[4] Charles W. Johnson, “In a Freed Market, Who Will Stop Markets From Running Wild and Doing Crazy Things?”; online: <<http://radgeek.com/gt/2009/06/12/freed-market-regulation>>.

[5] Albert Loan, “Institutional Bases of the Spontaneous Order: Surety and Assurance,” *Humane Studies Review* 7.1 (Winter 1991-92); online: <<http://mason.gmu.edu/~ihs/w91essay.html>>.

[6] Jesse L. Byock, *Viking Age Iceland* (New York: Penguin, 2001).

[7] Terry L. Anderson and Peter J. Hill, *The Not So Wild, Wild West: Property Rights on the Frontier* (Stanford, Cal.: Stanford, 2004).

19. David Friedman “Market Anarchy in the Real World”

Matt argues that we do not observe market anarchism in real world anarchist societies. To know whether that is true, we need to first decide what count as the defining characteristics of market anarchy. He writes, about actual anarchist societies:

They are not, in other words, the kind of societies ... in which protective services are sold by specialized firms in a competitive market with a network of arbitration agreements and so on. They are, instead, tribal and clan-based societies that, to borrow from Arnold Kling's summary of Mark Weiner's *The Rule of the Clan*, are based on “a set of rules and social norms which are inconsistent with libertarian values of peace, open commerce, and individual autonomy.”

The final bit of that seems to identify “market anarchy” with “libertarianism.” When I first described a market anarchist system in *The Machinery of Freedom*, I explained that whether such a society was libertarian was a matter of prediction, not definition, that under some circumstances the institutions I was describing would be anarchist but not entirely libertarian, although I thought they would be likely to produce a more libertarian outcome than alternative institutions for the same population. Whether market anarchy is possible does not depend on whether it would be fully libertarian. Non-anarchist libertarians, after all, aim at a libertarian minarchy despite the shortage of such societies in the historical record.

I do not know how much Matt knows about historical stateless societies or exactly what he means by

“tribal and clan-based.” In saga period Iceland law was privately enforced, although there was a single law code and court system; it was neither tribal nor clan-based. Comanche society, as described by Hoebel,[1] was highly individualist, not very libertarian, but stateless, and tribal only in the sense of being within one tribe as a minarchy is within one nation. Northern Somali society as described by I.M. Lewis, an anthropologist who has been studying it since the 1950’s, came closer to the market anarchist model. Its clans were enormous, so many disputes were within a clan, and the coalitions that enforced rights in such disputes were voluntary associations based on a mix of kinship and contract. There was no formally negotiated network of laws, unless you count the agreements within coalitions with regard to the mutual obligations of their members, but Lewis describes one case where the two sides in a conflict concluded that the level of violence had become too high and agreed to raise the damage payment owed for killing.

Matt’s point may be only that we do not see in any historical example the full blown mechanism of enforcement agencies, arbitration agencies, and pairwise contracts that some of us imagine for a market anarchist society. But we would not expect relatively primitive societies to have the degree of division of labor and formal organization of a modern society—they do not have joint stock corporations or future markets either. We do see societies in which there was no state, in which law enforcement was private and decentralized, and in which individuals interacted primarily via private property and exchange, which would seem to cover the essential requirements for a market anarchist society.

Descriptions of all three societies, and sources, can be found in various chapters of the draft of my current book project, up for comments at: <http://www.daviddfriedman.com/Academic/Course_Pages/legal_systems_very_different_12/LegalSystemsDraft.html>.[2]

Endnotes

[1] E. Adamson Hoebel, *The Law of Primitive Man* (Cambridge, MA: Harvard University Press, 1967).

[2] David Friedman, *Legal Systems Very Different From Ours* (draft) <http://www.daviddfriedman.com/Academic/Course_Pages/legal_systems_very_different_12/LegalSystemsDraft.html>.

20. David M. Hart, “A Question for My Colleagues: Who Wrote the First One-volume Synthesis of Classical Liberal Thought?”

I would like to ask my colleagues a question before we close the discussion on Molinari’s legacy: Who wrote the first one-volume synthesis of classical-liberal ideas?

By this I mean an effort to present in one volume a coherent world-view based on the principle of individual liberty and the application of this principle to a large range of social, political, and economic problems. You might correctly surmise that by merely raising the question in this context, I suspect it was Molinari. If I am correct, then with the publication of *Les Soirées*, Molinari in 1849, at the age of 30, predated Rothbard’s *For a New Liberty* (1973 -- written when Rothbard was 47) [1] by some 124 years. A close contemporary attempt was Herbert Spencer’s *Social Statics* in 1851 (written when Spencer was 31 years old),[2] which raises the question of whether there was “something in the air” concerning classical liberalism in the mid-19th century.

It would not be until the 20th century that other attempts at synthesis were made by classical liberals and libertarians, such as Ludwig von Mises’s *Liberalism*(1927 -- written when he was 46 years old) [3] and Milton Friedman’s *Capitalism and Freedom* (1962 -- written when he was 50), followed by *Free to Choose* (1980). [4]

So I am asking my colleagues if I have overlooked something. Is there some other text that attempts to do the same thing?

If I am correct in identifying Molinari as the first, then one needs to ask why it appeared when it did, and why didn’t a one-volume synthesis appear in the 18th century from someone like Adam Smith or Turgot?

A final observation: It seems that writing a one-volume synthesis in the 19th century was the work of young men starting out on their careers. In the 20th century, by contrast, it seems to be the work of men (along with Rose Friedman, of course!) who were well into their academic careers. Thus perhaps Molinari's and Spencer's efforts were ones of "prospective" analysis full of hope for the future, whilst those of Mises, Friedman, and Rothbard could be better described as reflections by mature scholars who feared for liberty in the present and the near future.

Endnotes

[1] Murray N. Rothbard, *For a New Liberty* (New York: Macmillan, 1973).

[2] Herbert Spencer, *Social Statics: or, The Conditions essential to Happiness specified, and the First of them Developed*, (London: John Chapman, 1851). <<http://oll.liberty-fund.org/titles/273>>.

[3] Ludwig von Mises, *Liberalismus* (Jena: Gustave Fischer, 1927). Translated into English by Ralph Raico in 1962. Ludwig von Mises, *Liberalism: The Classical Tradition*, trans. Ralph Raico, ed. Bettina Bien Greaves (Indianapolis: Liberty Fund, 2005). <<http://oll.liberty-fund.org/titles/1463>>.

[4] Milton Friedman (with the assistance of Rose D. Friedman), *Capitalism and Freedom* (University of Chicago, 1962); Milton Friedman and Rose Friedman, *Free to Choose: A Personal Statement* (Harcourt, Brace, Jovanovitch, 1980; Harmondsworth: Penguin, 1980).

21. David M. Hart, "Molinari in His Final Years: Cranky Old Man or Realist?"

Anybody who studies Molinari's large output of books and articles is struck by some of the intellectual oddities that begin to appear in the 1880s and 1890s, when he was in his mid-60s to late 70s. We have his theory of "tutelage" (1884), [1] according to which some groups (the industrial masses, women, inhabitants of the colonial third world) are not yet ready for full freedom and thus need guidance and then only gradual exposure to the responsibilities of being completely free and independent individuals; his view of religion (1892), [2] which, as Roderick correctly notes, Molinari did not believe himself but, as a "tutor" of the masses, thought was necessary during their apprenticeship into full liberty; his return to Malthusian population theory with his edition of Joseph Garnier's book on Malthus (1885) and Molinari's own edition of *The Principle of Population* in 1889, which leads to his rather bizarre theory of "viriculture" (1897), [3] which, while not a theory of fully fledged eugenics comes uncomfortably close to embracing some of its doctrines.

The question for scholars is to determine whether these ideas were an integral part of Molinari's thought from the very beginning or whether they were an unfortunate response to events taking place at this time. I think the latter is the case, with the exception of his orthodox Malthusian views, which date to the 1840s and which give him a decided pessimistic turn of mind. Unlike Bastiat, who rejected Malthusianism because of his theory of human capital and the explosion of human wealth-creation that was being unleashed by free trade and the rise of industrialism, Molinari and Garnier continued to defend Malthus's ideas throughout the rest of the century. By the mid-1880s Molinari had reached the conclusion that the classical liberals were losing the battle of ideas against the protectionists and the socialists (if they hadn't already) and that other means needed to be adopted to keep the socialist masses at bay, whether by "tutelage" or population control of some kind. The clearest indication of Molinari's growing pessimism in the mid-1880s was the conclusion to his third collection of "soirées," or conversations, the *Conversations sur le commerce des grains et la protection de l'agriculture* (1886). [4] Here, using the voice of "The Economist," he expresses his frustration at the resurgence of protectionism and the attitude of the

politicians that support for free trade would be electoral and political suicide. The Economist accepts the criticism of the Conservative and the Socialist that he had probably wasted his life by writing books no one read and whose ideas no one believed. This I think is a serious admission of defeat by Molinari. The only consolation Molinari offers himself is that he is living in an historical moment when one is forced to retreat -- but only to be able to move forward again sometime in the future.

Perhaps one way to explain (or to explain away) these odd and rather cranky ideas of Molinari in this period is to see them as the musings of an old man who is seeing his life-long hopes for liberty evaporating before his eyes as socialism, protectionism, colonialism, and militarism rise up to challenge liberty in the late 19th century. This is made worse by the diminishing numbers of the old school of radical classical liberalism that Molinari personified, thus leaving him increasingly isolated both personally and intellectually.

But alongside the crankiness that was emerging in his thought at this time, there is no diminution in his clear-sighted realism about the very real successes of the classical-liberal program that had been achieved in the 19th century and his dire predictions about what would happen to liberty in the 20th if present trends continued. In another burst of activity in his 70s and 80s, Molinari wrote a series of books and articles in which he summed up his thinking, culminating in two articles in the *Journal des Économistes* and a book at the turn of the century, *Les Problèmes du XXe siècle* (1901). [5] Looking back over his long life he listed on the plus side the dramatic rise in prosperity produced by international free trade, the innovations created by the industrial revolution, the vastly increased kinds of jobs available to ordinary people resulting from an expansion of the division of labor, the political liberalization brought about by the defeat of monarchism and the old order, the abolition of slavery and serfdom, the near universal recognition of freedom of speech, and so on. On the negative side, and this was what most worried him in 1901, he counted the revival of protectionism in France; the success of socialist groups both intellectually and politically; the dramatic increase in colonialism and imperialism, especially since the scramble for Africa in the 1880s; the revival of militarism in an arms race (especially in the navy); and the abandonment of classical liberalism by most of the

intellectual class. While Marxists were predicting the eventual overthrow of the capitalist system and the creation of a bountiful socialist paradise in the near future, Molinari was painting a much bleaker picture that was very prescient in some of the details. He predicted an eventual war between the Great Powers of Europe, which would lead to massive government intervention and control of the economy, huge deficits and government loans to fund the war and social programs demanded by the rising left, the eventual collapse of the financial system, and a long period of economic depression and political crises. If this sounds a lot what happened to Europe after 1914, then Molinari should get due recognition for his prophetic powers.

One would have thought that given his frame of mind in his later years, which I have sketched out above, he would be very pessimistic, even suicidal, as the new century began, but one would be wrong. Even at the end Molinari continued to believe that freedom would somehow survive the statist catastrophe of the 20th century. After the devastation of war, economic collapse, and loss of belief in classical-liberal ideas, Molinari was convinced that a liberal renaissance would take place after a half-century or so of suffering, that the truth about liberty and free markets could not be suppressed or ignored forever, and that the classical-liberal program of the mid-19th century would be taken up again by his successors. He repeated much the same in his ironically titled last book, *Ultima Verba: Mon dernier ouvrage* (The Last Word: My Last Work, 1911), [6] which, while being the last book he published, is definitely not the last word either about him or about the ideas of classical liberalism that he espoused during his long and fruitful life.

Endnotes

[1] See Chap. XI “Tutelle et liberté,” pp. 424-506 in *L'Évolution politique et la Révolution* (Paris: C. Reinwald, 1884).

[2] Gustave de Molinari, *Religion*. Paris: Guillaumin et Cie, 1892.

[3] Gustave de Molinari, *La viriculture; ralentissement du mouvement de la population, dégénérescence, causes et remèdes* (Paris: Guillaumin et cie, 1897).

[4] Gustave de Molinari, *Conversations sur le commerce des grains et la protection de l'agriculture (Nouvelle édition)* (Paris: Guillaumin, 1886). Conclusion, pp. 302-10.

[5] Gustave de Molinari, *Comment se résoudra la question sociale* (Paris: Guillaumin, 1896); *Grandeur et décadence de la guerre* (Paris: Guillaumin, 1898); *Les Problèmes du XXe siècle* (Paris: Guillaumin, 1901); *Questions économiques à l'ordre du jour* (Paris: Guillaumin, 1906); and "Le XIXe siècle", *Journal des Économistes*, Janvier 1901, pp. 5-19 and "Le XXe siècle", *Journal des Économistes*, Janvier 1902, pp. 5-14.

[6] Gustave de Molinari, *Ultima Verba: Mon dernier ouvrage* (Paris: V. Girard et E. Briere, 1911).

22. Gary Chartier, "On the Absence of Anarchy"

The "pessimistic induction" — or, perhaps, the set of pessimistic inductions — on which Matt very reasonably focused our attention deserves continued reflection by anarchists. Why is there not more evidence of stable stateless social order? Why are anarchical societies not market-oriented? Is the growth of state power correlated with increasing wealth and social peace — and, if so why? It is hard to know whether Molinari drew back from his earlier radicalism because, as Matt supposes, he failed to find full-blown anarchist answers to questions like these plausible, but they certainly merit our careful attention in any case.

Two brief observations may help to further ongoing inquiry and analysis. At least, I hope, they will not further obfuscation.

One reason for the persistence of states and the relative absence of anarchy that hasn't received much attention in this Liberty Matters exchange is ideological mystification. One reason we still have states, that is, is that people mistakenly believe we should or must. If one supposes, as I do, that ideas have real-world consequences, it should not be surprising that ideas which legitimate state power should help to keep the "statist quo" in place. Belief in the divine right of kings served to solidify royal power in the past — and the notion that God has placed a divine stamp of approval on

those in authority has perhaps fostered docility in more recent times.

But secularists have their own legitimating myths as well. The belief that a Hobbesian Leviathan is needed to keep life from proving "solitary, poor, nasty, brutish, and short" may or may not be correct (I maintain, of course, that it is not); but its role in preserving state power is relatively independent of its truth. If people *believe* they need Leviathan, they will tend to support the existence of the state. Similarly, if people suppose that they have, in fact, consented to state authority, that they are obligated by a Lockean social contract, even if the idea of such a contract as binding evaporates under careful scrutiny, they will be more likely to treat themselves as bound whether they are or not.

Related means of legitimation also tend to keep people from taking the anarchic alternative seriously, too. If "anarchy" is repeatedly used as a synonym for "chaotic violence," it will be difficult to talk about anarchist ideas without being treated as an apologist for thuggery. And the simple absence from the mainstream media of serious discussions of patterns of social organization radically different from those that currently obtain helps to dispose ordinary people not to think much, if at all, about radical alternatives and to treat such alternatives as not worth taking seriously when confronted with them.

In brief: People's beliefs about the necessity of the state or the viability of alternatives impede their willingness to support radical change.

As regards Pinker-inspired views that link the growth of state power with increasing peace and prosperity: Suppose Pinker is right that increasingly strong states (for their own dubious purposes) fostered various social improvements. It hardly follows that other institutions couldn't have done the same thing — even if, in fact, they didn't for, among other things, the kinds of reasons I've already noted. I share Roderick's skepticism regarding Pinker's historical narrative, but accepting it wouldn't mean embracing the conclusion that the state was necessary to the developments it purportedly midwived.

In addition, it seems not unreasonable to wonder whether the state was in fact able to grow precisely because societal wealth was increasing. Rather than being the source of that wealth, state growth might be

seen as parasitic on it. An elaborate state apparatus might stifle economic flourishing when resources were limited; a wealthier society, by contrast, could afford to support a parasitic state with less risk of collapse or complete stagnation. If we have good reason to regard the state as counterproductive, we will thus also have good reason to regard its growth as evidence, not that it also performs productive functions, but that society can manage to flourish despite the retardant impact of state action.

Doubtless these sorts of responses to the concerns that might have led to Molinari's pessimism shouldn't suffice on their own to allay any and all worries about the viability of anarchism. But those tempted to emulate Molinari's doubts might at least wonder whether anarchy isn't more viable than they might have feared.

23. David M. Hart, "Molinari, Soirées, and Arguing about Liberty"

The problem with virtual discussions like the one we have enjoyed over the past month is that we cannot see our interlocutors face-to-face over a glass or two of beer or wine. This is how Molinari imagined it when he wrote *Les Soirées de la rue Saint-Lazare* in 1849. His interlocutors, the Conservative, the Socialist, and the Economist were supposed to have conducted their vigorous discussions about politics and economics at a party or social gathering in one of the many restaurants or hotels which appeared on Saint Lazarus street near one of the grand Parisian railway stations which ringed the city as the French railway system was being built in the 1830s and 1840s. Molinari chose Saint Lazarus street for his title because it is where he and a small group of liberal friends, which included Frédéric Bastiat, Joseph Garnier, Alcide Fonteyraud, and Charles Coquelin, met regularly between 1844 and early 1848 in the house of Hippolyte Castille which was located on this very street. The friends met regularly between 1844 and early 1848 to discuss political and economic matters, no doubt over a glass or two. This was the inspiration for Molinari's book.[1]

When Molinari came to write his second collection of *Soirées* in 1855, this time called "conversations,"[2] the location was no longer the comfortable and up-

market surroundings of the residence of an ex-Cardinal in Paris but a working class "estaminet" (the name for a bar or café in Belgium and northern France) in Brussels. After the coming to power of Emperor Napoleon III Molinari had left Paris and taken a teaching position in Brussels where he remained until the late 1860s. Here the conversation takes place between a "Rioter," a "Prohibitionist" (a strict protectionist), and an "Economist" in a bar close to where a recent riot over food prices had taken place. In a long opening footnote, the Belgian Molinari takes great pains to explain to his Parisian readers the important social place the estaminet plays in Flemish culture and the kinds of drinks which were commonly drunk there. Only once he has established this important information can Molinari then proceed with the "conversations" about freeing up the highly regulated grain trade which in his mind caused the high prices of food which in turn caused the riots.

The third set of *Soirées* which Molinari wrote in 1886 also set the location of the conversations about liberty in a bar, or rather this time in a series of bars - a new one for each conversation.[3] He updated his debate of 1855 between a "Rioter," a "Prohibitionist", and an "Economist" to include a new figure, the "Collectivist," who replaced the Rioter of the earlier conversations. In keeping with the much darker vision Molinari now had of the prospects for liberty, he set each conversation in an elaborately furnished bar in Paris where he was now living again which was decorated according to a particular theme which he lovingly describes in his footnotes. In the first conversation the Economist, now visibly grayer than before (Molinari was now 67 years old), sits in a bar called the "Tavergne du bain" (p. 219) which is decorated on the theme of a penal colony in the tropics; in the second conversation the three meet in a bar called "la Tavergne du Chat-Noir" (the Black Cat Bar) (p. 248) which features a large bust of Molière and waiters dressed as Swiss Guards and Academicians; and the third and final conversation is set in "le café du Rat Mort" (the Dead Rat Café) (p. 274). The only information Molinari gives about this drinking establishment is that it is frequented by local members of the Bourgeoisie, politicians, and aspiring artists. It is in this third and final conversation which takes place in the Dead Rat Café that Molinari comes to agree with the Collectivist that his life's work of writing and teaching and

arguing for liberty had been a complete waste of time. One wonders what the Economist was drinking at this moment of his greatest pessimism and hopelessness.

I relate these stories because it shows that in Molinari's mind there is a strong connection between the vigorous exchange of opposing ideas and the conviviality provided by good food and drink, and perhaps exotic locations as well. This is something that Liberty Fund also likes to encourage. It also brings to mind an excellent custom which I first encountered after giving a talk on Bastiat at a university in the Bay Area when the formal part of the evening came to an end a decision was immediately made to convene a follow-up meeting of "The Bar Stool Economists" to continue the conversation in a more informal location. I think Molinari and his colleagues attended many meetings of the Bar Stool Economists in his day. Maybe they were known as "les Économistes de l'estaminet."

I also wanted to raise the issue of the fluctuating fortunes of classical liberals in the 19th century and how this affected their mood. In 1886 Molinari was certainly very pessimistic as his story of the Soirée in the Dead Rat Café reveals. However hopeless he might have thought his efforts in promoting liberty had been this was certainly not the end of Molinari in spite of his dark vision of penal colonies, black cats, and dead rats. He continued to write and publish for another 25 years resulting in an additional 22 books by my reckoning. I admire his determination and stamina even if I disagree with some of things he had to say. I also admire his clear-sighted realism as his own life was coming to an end on the eve of World War I which was to destroy the liberal order which Molinari had defended and promoted throughout his long life. If I only had one wish it would be to visit Molinari and Bastiat on the streets of Paris in March 1848 so I could help them hand out their leaflets urging the people to support the liberal cause - and then go have a drink with them afterwards so we could continue the conversation about liberty.

I want to thank my contemporary interlocutors for a rewarding month of discussion about an important figure in the classical liberal tradition. May we continue our discussions in an estaminet at some future date.

Endnotes

[1] Gérard Minart, *Gustave de Molinari (1819-1912), pour un gouvernement à bon marché dans un milieu libre* (Paris: Institut Charles Coqueline, 2012), p. 80.

[2] Gustave de Molinari, *Conservations familières sur le commerce des grains*. (Paris: Guillaumin, 1855).

[3] Gustave de Molinari, *Conversations sur le commerce des grains et la protection de l'agriculture. Nouvelle édition*. (Paris: Guillaumin, 1886).

24. Roderick T. Long, "Ultima Verba"

I'm grateful to my four interlocutors for an exceptionally stimulating exchange -- and to Liberty Fund for making it possible.

I began this conversation by hailing what I consider to be Molinari's two most distinctive contributions to libertarian thought: the competitive provision of security and the empowerment of labor via the subjection of employers to fuller market discipline. Whatever the flaws in Molinari's specific versions of these proposals, the general ideas remain, in my judgment, crucial to the libertarian project.

One of us is skeptical of proposals for competitive provision of security, labeling them "rationalist." Another of us is skeptical of proposals for labor empowerment, labeling them "wishful thinking." Others among us have argued that we have good evidence, both theoretical and historical/empirical, for the viability of both. And along the way we've also explored the question of Molinari's place in intellectual history.

These debates will go on, past this symposium and among more people than the five of us. For a thinker whose first major work was a set of "Conversations," it seems an appropriate legacy. Whatever the extent of Molinari's possible influence on Proudhon or Bellegarrigue, Tucker or Rothbard, his contributions survive as living issues in these discussions now. May the *Soirées* long continue!

4. ADDITIONAL READING

Online Resources

Works by Molinari at the OLL website: <<http://oll.libertyfund.org/person/136>>.

Works on School of Thought: 19th Century French Liberalism <<http://oll.libertyfund.org/collection/28>>

Works by Molinari at David Hart's website: <<http://davidmhart.com/liberty/FrenchClassicalLiberals/Molinari/Bibliography.html>>

A virtual anthology of Molinari's writings on the state between 1846 and 1912 can be found on David Hart's website <<http://davidmhart.com/liberty/FrenchClassicalLiberals/Molinari/anarcho-capitalism.html>>.

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4. ROBERT LEROUX, “BASTIAT AND POLITICAL ECONOMY” (JULY 1, 2013)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty website during the month of July, 2013. The online version of the discussion can be found at <http://oll.libertyfund.org/pages/bastiat-and-political-economy> and ebook versions at <http://oll.libertyfund.org/titles/2542>.

Summary

Frédéric Bastiat’s intellectual legacy has been the subject of much debate since the mid-19th century. His thinking has given rise to the most divergent interpretations. We may say in general terms that his work has evoked two interpretations that are in constant conflict: The first treats Bastiat as a significant theorist, an instigator of new and original theories, with a well-earned place in the history of political economy; the other sees him primarily as simply a journalist or a polemicist. Robert Leroux argues that, in spite of resistance to his ideas and the neglect which he suffered in the late 19th and early 20th century, Bastiat was one of the most important liberal theorists of his time. He went far beyond what he was most famous for in his own day, namely campaigning for free trade in France, and made significant contributions to our understanding of the state, the law, freedom of the press and, more broadly yet, human nature.

The Debate

The online discussion consists of the following parts:

1. Lead Essay

Robert Leroux, "Bastiat and Political Economy" [Posted: July 1, 2013]

2. Responses and Critiques

Responses by Donald J. Boudreaux, David M. Hart, and Michael C. Munger

4. Donald J. Boudreaux, "Bastiat Lenses" [Posted: July 5, 2013]
5. Michael C. Munger, "A Theory about Doing Nothing" [Posted: July 9, 2013]
6. David M. Hart, "Will The Real Bastiat Please Stand Up?" [Posted: July 11, 2013]

3. The Conversation

1. Robert Leroux, "Bastiat: Multi-disciplinary Man" [Posted: July 15, 2013]
2. Donald J. Boudreaux, "Does Bastiat Appeal Only to the Young?" [Posted: July 16, 2013]
3. Michael C. Munger, "Did Bastiat Anticipate Public Choice?" [Posted: July 16, 2013]
4. David M. Hart, "Why Bastiat Is Wasted on the Young" [Posted: July 18, 2013]
5. David M. Hart, "The Deeply Read Literary Satirist and Parodist" [Posted: July 19, 2013]
6. David M. Hart, "Bastiat on the Island of Despair, or how Robinson Crusoe helped redefine Economics" [Posted: July 21, 2013]
7. Donald J. Boudreaux, "Bastiat and Liberty Fund" [Posted: July 22, 2013]
8. Michael C. Munger, "Bastiat for Young and Old" [Posted: July 22, 2013]
9. Donald J. Boudreaux, "A Memo from Bastiat to Cass Sunstein" [Posted: July 22, 2013]
10. David M. Hart, "What kind of an economist was Bastiat? Part 1" [Posted: July 22, 2013]
11. David M. Hart, "What kind of an economist was Bastiat? Part 2" [Posted: July 23, 2013]
12. Donald J. Boudreaux, "Bastiat’s Isolation" [July 24, 2013]

13. Michael C. Munger, "The Politicians I Actually Know" [Posted: July 24, 2013]
14. Robert Leroux, "Bastiat's Style" [Posted: July 24, 2013]
15. David M. Hart, "To Do Nothing, or Not to Do Nothing: That Is the Question." [Posted: July 25, 2013]
16. Donald J. Boudreaux, "Bastiat: The Anti-Keynes in More Ways than One" [Posted: July 26, 2013]
17. David M. Hart, "What Might Bastiat Have Achieved If He Had Lived as Long as Karl Marx?" [Posted: July 26, 2013]
18. David M. Hart, "Bastiat and the 4 Musketeers: The Flowering of Classical Liberalism in Paris in the 1840s" [Posted: July 29, 2013]
19. David M. Hart, "In Vino Libertas: Bastiat on Wine, Liberty, and Political Economy" [Posted: July 30, 2013]

About the Authors

Robert Leroux is a professor of sociology at the University of Ottawa. He is interested by epistemology, the history of social science, and liberal thought. Recent publications include *Political Economy and Liberalism in France: The Contributions of Frédéric Bastiat* (London and New York: Routledge, 2011) and *French Liberalism in the 19th Century: An Anthology* (London and New York: Routledge, 2011) which he co-edited with David Hart. The French version of his book on Bastiat won the Prix Charles Dupin awarded by the Académie des Sciences Morales et Politiques of Paris in 2008.

Donald J. Boudreaux is professor of economics and holder of the Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center, George Mason University. He blogs at Cafe Hayek <<http://cafehayek.com/>>. Two recent publications include *Globalization* (Westport, Conn.: Greenwood Press, 2008) and *Hypocrites & Half-Wits: A Daily Dose of Sanity from Café Hayek* (Erie, PA: Free To Choose Press, 2012).

David M. Hart received a B.A. in history from Macquarie University, Sydney, writing a thesis on the thought of Gustave de Molinari. He received a Ph.D. in history from King's College, Cambridge on the work

of two French classical liberals of the early 19th century, Charles Comte and Charles Dunoyer. He then taught for 15 years in the Department of History at the University of Adelaide in South Australia. Since 2001 he has been the Director of the Online Library of Liberty Project at Liberty Fund <<http://oll.libertyfund.org>>. His research interests include the history of classical liberal thought, war and culture, and film and history. He is currently the Academic Editor of Liberty Fund's translation project of the *Collected Works of Frédéric Bastiat* (in 6 vols.) and is also editing for Liberty Fund a translation of Molinari's *Conversations on Saint Lazarus Street: Discussions on Economic Laws and the Defence of Property* (1849). David is also the co-editor of two collections of 19th century French classical liberal thought (with Robert Leroux of the University of Ottawa), one in English published by Routledge (May 2012) and another in French called *The Golden Age of French Liberalism* (forthcoming 2013). On his personal website <<http://davidmhart.com/liberty>> David has his lectures and a considerable number of resources on 19th century classical liberal thought, including a large section on Molinari, Bastiat, and other French classical liberal political economists (mostly in French).

Michael C. Munger is Michael C. Munger is a professor of political science, and economics and public policy at Duke University. He is also director of Duke's interdisciplinary PPE (philosophy, politics, and economics) Program. He received his Ph.D. in economics at Washington University in St. Louis in 1984. Following his graduate training, he worked as a staff economist at the Federal Trade Commission. He moved to Duke in 1997, and was chair of the political science department from 2000 through 2010. He has won three University-wide teaching awards (the Howard Johnson Award, an NAACP "Image" Award for teaching about race, and admission to the Bass Society of Teaching Fellows). His research interests include the study of the morality of exchange and the working of legislative institutions in producing policy. Much of his recent work has been in philosophy, examining the concept of truly voluntary exchange, a concept for which he coined the term "euvoluntary" <http://www.econtalk.org/archives/2011/06/munger_on_excha.html>. He has created a new blog <<http://euvoluntaryexchange.blogspot.com/>> devoted to investigating examples of, and controversies about, euvoluntary exchange. His primary blog, Kids

Prefer Cheese <<http://mungowitzend.blogspot.com>>, is an irreverent look at policy, politics, and the foibles of pundits everywhere.

1. LEAD ESSAY: ROBERT LEROUX, "BASTIAT AND POLITICAL ECONOMY"

Frédéric Bastiat's intellectual legacy has been the subject of much debate since the mid-19th century. His thinking has given rise to the most divergent interpretations. We may say in general terms that his work has evoked two interpretations that are in constant conflict: The first treats Bastiat as a significant theorist, an instigator of new and original theories, with a well-earned place in the history of political economy; the other sees him primarily as simply a journalist or a polemicist.

Jules Martinelli (1852: 4), in an early monograph, argued that "Bastiat was not content to spread the science, he made it take a great leap. Nowhere will we find a set of observations that are newer, fairer, more profound or more reassuring." [1] By the same token, Léon Say (1995: 20) writes about Bastiat's *Economic Harmonies*: "That book is one of the highest achievements of any modern economic school." [2] But Joseph Schumpeter would not agree with these remarks. He put Bastiat down as a polemicist, a pamphleteer, a journalist of great talent but with no real scientific merit. He says in his famous book *History of Economic Analysis*: "I do not hold that Bastiat was a bad theorist. I hold that he was no theorist." (p. 500). [3]

Bastiat's style clearly had something to do with the dismissal of his works by many economists. Thus the esteem he inspired among a broad public no doubt helped to marginalize him within his own scientific community, at least for a fairly long time. We must not think, however, that Bastiat was completely absorbed in political action and polemics. For along with his continuous battles he was constantly pursuing scientific objectives. I think that Bastiat did not want to be relegated forever to a polemical role; he also wanted to do his part in building political economy.

Bastiat (1968c: 2) states in *Economic Harmonies* that "if there are general laws ... they can be the object of scientific investigation, and therefore there is such a thing as the science of political economy." [4] This comment stands in contrast to the general perception of Bastiat, and it challenges us to think about the way social science was viewed in France in the mid-19th

century. At that time, positivists and romantics alike were positing that society was a concrete, observable phenomenon. Bastiat proposed an alternative model, stressing the idea that social science should concern itself primarily with the behavior of individuals, their beliefs, and their intentions. In the context of that time, this subjectivist method was doomed to languish on the sidelines. This is exactly the method of the Austrian school, of which Bastiat was in a sense a forerunner.

In the mid-19th century, political economy was in crisis. Not only did political figures such as Guizot and Thiers stop calling for social and political reform, but many intellectuals were announcing the decline of political economy. As early as 1840, Eugène Buret (1840, I: 30-1) insisted that "if we compare the works of economists over the last 20 years, we will find barely a trace of any regularly constituted science; it is merely a collection of individual opinions, some more interesting than others." [5] In 1862 Louis Reybaud (1862: 302-3) asserted that "the task of political economy is today fulfilled or nearly so. Just about the only additions to it today are disputes of little interest, or deviations." [6]

While Charles Coquelin (1864, I: 643, 664) was vigorous in rejecting this alarmist assertion, common to a great many thinkers, he did not attempt to hide, in the course of a lengthy article, the problems that economists were facing in proposing a precise definition of their science. "It is not as easy as one might at first be tempted to believe," he writes, "to give political economy an exact definition, or at least a satisfactory definition around which all its practitioners can rally." [7] Yet after a serious discussion of several economists' work, Coquelin arrives at a conclusion that neatly summarizes the position of the liberal school: Political economy, he argued, cannot be simply considered as a moral science; it is a science in the full meaning of the term. Political economy, which he calls "natural history," is in his eyes a perfectly realistic science; it leads us to "renounce absolutely the discovery of all these artificial schemes, the search for which so many men of the elite have vainly employed their faculties. It leads to this without effort, merely by revealing this natural order which it brings to light." [8]

It is in the same order of ideas that Bastiat (1968c: 527) casts his epistemological thinking. He observes

that “political economy is a science concerned exclusively with the observation and description of phenomena.”[9] Bastiat was of course thinking here of his socialist adversaries, of whom he was unsparingly critical. Anyone, he said, who wanted to study social phenomena scientifically would need first to assemble the facts and to be as objective as possible, and must abstain from proposing any hypothetical form of social organization. There are numerous pieces in which Bastiat indicates the issues and the need for a political economy developed from a scientific viewpoint. In *Cobden et la Ligue*, for example, Bastiat (1854, III: 8) notes that “political economy is not an art but a science. It does not impose anything, it does not even advise anything, and consequently it does not sacrifice anything; it describes how wealth is produced and distributed, just as physiology describes how our organs work; and it is just as unfair to attribute to the one the evils of society as it would be to attribute to the other the illnesses that afflict the human body.”[10]

And in one of his last writings, he insists that economics is “a vast and noble science,” the goal of which is to examine “the wellsprings of the social mechanism and the functions of each of the organs that constitute these live and wondrous bodies that we call human societies.” In fact, “it studies the general laws by which the human race grows in number, wealth, intelligence, and morality” (Bastiat, 1854, V: 393).[11]

In contrast to what some maintained, then, political economy could not be considered an art; it was instead a science, within the full meaning of that word, for in its intentions it proceeded no differently than physiology and the other natural sciences.

Yet we must not allow ourselves to be misled by this analogy between the social and physiological spheres, which appears recurrently in Bastiat’s writings. It does not mean that he was seeking to unify the social sciences and the natural sciences on the basis of common methodological principles. Indeed, the contrary is true. Bastiat was convinced, at least in methodological terms, that the social sciences were a very specific discipline and he rejected in advance what Hayek would later call “scientism.” In this sense Bastiat was at the opposite side of the spectrum from his contemporary Auguste Comte. His theoretical ambitions seem to have been much more modest, in that he did not propose a “universal science.” According to Bastiat, we

cannot expect a single science to embrace all phenomena completely.

Bastiat’s approach thus contrasts with the excesses of his time. There was nothing pompous about him; he merely sought to advance the science of political economy. The deep revulsion he felt for protectionism and then for socialism, combined with his meticulous reading of Jean-Baptiste Say and Charles Dunoyer, inspired him to throw himself fully into this task. While Bastiat (1854, I) had revealed himself as an important economist in 1844, most notably through his article on the French and English tariffs,[12] it was not until the following year that he offered the first orderly exposition of his first thoughts on methodological questions. The occasion was an article published by the famous literary and political figure Alphonse de Lamartine. While not lacking in respect for Lamartine, Bastiat took him severely to task. He criticized Lamartine’s ambivalence with regard to the liberal and the socialist schools of political economy. Bastiat tells him: “You recognize only two schools of political economy, and you claim to belong to neither.” In fact Lamartine seems to have been right: There were indeed two schools of economics, the liberal and the socialist schools, but they were completely irreconcilable. Bastiat (1854, I: 406-10) insisted that they embraced opposed methodological principles. “The first proceeds in a scientific way. It observes, studies, groups and classifies facts and phenomena, it looks for relationships of cause and effect; and from all these observations it deduces general laws according to which men prosper or waste away.... The other school ... proceeds through the imagination. Society is for it not a subject for observation but a field for experimentation; it is not a living body with organs to be studied but a piece of inert matter on which the legislator imposes an artificial arrangement.”[13]

This remark suggests that political economy, properly understood as a science, must subscribe to a liberal vision of reality. To put it in Bastiat’s words, the world is certainly imperfect, with inequalities and with solidly implanted hierarchies, but it is not the economist’s role to try to change it by proposing an alternative model that would necessarily be out of keeping with the natural course of economic and social development. It is fanciful, in short, to think that social science can limit itself to a simple function of dissent. In fact, like any science, political economy does not seek to rebuild the world but merely to explain reality as objectively as

possible. But we must not forget here that Bastiat's numerous analogies between the natural sciences and the social sciences are offered essentially for demonstrative purposes. Bastiat was all too aware that human behavior cannot be reduced entirely to physiological and social forces. In his eyes, there is a human nature that transcends epochs and cultures and that rests on individual intentions and designs, which the scientist must seek to explain, not to reform.

In contrast to the insistence of the emerging sociology and socialist theories, then, society cannot be considered as a subject in itself, divorced from the individuals who compose it. On this basis Bastiat insisted on the moral and intellectual superiority of the liberal scheme; spontaneous or natural order is superior to any decreed or artificial order. Liberalism in this way becomes a knowledge, a vision of the world that highlights the rationality of individuals.

This defense of the scientific nature of political economy does not prevent Bastiat from striving to make economic questions accessible to the general public. Indeed, he wants "to give economics the status of a popular discipline by winning over a mass audience."^[14] Nor must we forget that, if Bastiat debates points of method or particular theoretical issues with philosophers and economists, he seeks above all to reach out to consumers, who, as he sees it, are the foundation of the economy. In his very last piece, titled "What Is Seen and What Is Not Seen," Bastiat (1968b: 1) adds a further dimension to his argument by raising an important methodological problem.^[15] He warns economists not to confuse cause with effect. Bad economists, he says, see only the immediate effects, whereas good ones see the real causes, which lie deeper and which can produce a true explanation. Bastiat's insistence that economists should go beyond the mere observation of facts reminds us of his own approach. In his works he does not confine himself to describing the consequences of state intervention, but seeks to make us understand that people have reasons for subscribing to all sorts of ideas and beliefs. And while these may appear rational from a subjective viewpoint, they cannot always be justified from an objective one.

Bastiat's Legacy

Beyond its lively rhetoric, its humorous and colorful style, and its biting wit, the body of work that Bastiat bequeathed to posterity is of prime scientific importance, conveying the very essence of a decade or two of din, disorder, and change. His goals were those of a man determined to bolster and confer dignity upon individual liberties. To achieve those goals, he devoted himself from his earliest years to the study of political economy. With that training, self-taught and patiently acquired, he became one of the most important liberal theorists of his time, even if that fact is not sufficiently acknowledged. His importance can be judged by the volume of commentaries his work has inspired. It would surely take a full treatise to trace the tortuous path of his intellectual influence both on the social sciences and on liberalism.

We shall confine ourselves here to a few commentaries. As the heir to a French liberal tradition, the importance of which has been unfairly downplayed, Bastiat often trod the trail that Jean-Baptiste Say, Charles Comte, and Charles Dunoyer had blazed a few years earlier. Like them, he defended liberty, both individual and economic; like them, he campaigned to reduce the size of the state; and like them, he contributed to the progress of political economy as a discipline. In short, Bastiat fully embodied the intellectual heritage of French liberalism. In the sketch of a preface to *Economic Harmonies*, he betrays a keen concern to insert his own work into the French liberal tradition. "It is useful, it is fortunate that patient and tireless geniuses like Say have devoted themselves to observing, classifying and distilling into a methodological order all the facts that comprise this fine science (political economy). Henceforth, intelligence will be able to stand on this unshakable platform and rise to new heights. And the works of Dunoyer and Comte who, never deviating from the rigorously scientific line traced by Mr. Say, convey so well these truths acquired in the domain of morality and legislation, how we admire them! I will be honest with you: sometimes, in listening to you, it has occurred to me that you could take up this torch from the hands of your predecessors and cast its light into some of the more obscure recesses of the social sciences, and especially those that have recently been plunged into darkness by silly doctrines" (1855, VII: 307-8).^[16]

While Bastiat did not necessarily fit within a “school,” at least in the strict sense, he nevertheless had “many disciples,” as Pareto (1965, V: 54) noted:[17] Joseph Garnier, Yves Guyot, and Gustave de Molinari, among many others, were strongly imbued with his thinking. According to Ralph Raico (2002: 51), there was something of a “Bastiat wave” in the 1850s.[18] But by the end of the 19th century, when those authors began to disappear one after the other, a worrisome silence descended over Bastiat’s intellectual posterity. Thus for most of the 20th century, with the exception of the last 10 or 15 years, it was very difficult to find in France any who were continuing his work or even commenting on it.

Bastiat is nonetheless important in the history of economic thought and liberalism. It is clear that he knew how to work with the initial intuitions of this discipline and this ideology with an imagination and originality that can no longer be dismissed. It is undeniable as well that Bastiat contributed in the mid-19th century to the marriage of economic liberalism with political liberalism in order to defend freedom in all its forms. Consequently, Bastiat’s work cannot be reduced to the question of free trade, as too many have tried to do. His reflections on the state, the law, freedom of the press and, more broadly yet, on human nature testify eloquently to the breadth of his thinking. Frédéric Passy (1901: 132) was perfectly right in remarking that our author had been “indeed anything but a one-idea man.”[19] G. Valbert (1878: 221, Victor Cherbuliez) hits the mark when he insists that “Bastiat was above all a liberal economist” and that he “gave his beloved political economy a jump on all the rest.” [20]

But usually in the second part of the 19th century, Bastiat’s dual campaign to promote liberalism and political economy often encountered indifference if not strong resistance.

In 1853, shortly after Bastiat’s death, Hyppolyte Castille (1853: 181) offered this sombre assessment: “The name of Frédéric Bastiat has not had time to flourish fully. In a time of moral ferment and effective calm, in a country such as England or America that prizes free debate, Mr. Bastiat would have had a great career; but here [France], where we cannot discuss anything for long without reaching for a gun, in this Catholic and monarchist country, that is to say in this intolerant and absolutist land, more passionate than

rational, clamouring for liberty but unable to support the contradiction, men of his calibre have no place. Mr. Bastiat is dead, and he was right to die. What place was there for him among us?”[21]]

From this testimony, then, Bastiat would appear a stranger in his own land. In a similar train of thought, Max Maurel (1901: 147-48) suggested in observance of the 1901 centenary of Bastiat’s birth that “Bastiat will be ranked by history among the most eminent of nineteenth-century thinkers. If we had understood his message, England would not have been alone among countries to benefit from the enormous advantages of free trade. We would have had our share of those advantages, and our exports as well as our domestic consumption would have doubled. But instead of exalting Bastiat, as Cobden was exalted in England, we smothered him in a cloak of silence. Today, 50 years after this great man’s death, he is less well known in France than he was in 1850. I wonder if our nation today is not even more ignorant in economic matters that it was at the death of Turgot.”[22]

The problem, perhaps, is not that France did not understand Bastiat, but that it did not *want* to understand him.

Endnotes

[1] Jules Martinelli, *Harmonies et perturbations sociales. Esquisse des œuvres de F. Bastiat* (Paris: Guillaumin, 1852), p. 4.

[2] Léon Say, “Extrait du Journal L’Avenir des Pyrénées et des Landes du 25 avril 1878,” in *Frédéric Bastiat et le libéralisme*, Actes du colloque de Bayonne des 13 et 14 octobre 1995 (Bayonne: 1997), p. 20.

[3] Joseph A. Schumpeter, *History of Economic Analysis*, edited from a manuscript by Elizabeth Boddy Schumpeter (New York: Oxford University Press, 1974), p. 500.

[4] Bastiat, *Economic Harmonies* (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, 1968), p. 2. <http://oll.libertyfund.org/titles/79#Bastiat_0187_146>

[5] Eugène Buret, *De la misère des classes laborieuses en Angleterre et en France*, 2 vols. (Paris: Paulin, 1840). Vol. 1, pp. 30-1.

- [6] Louis Reybaud, *Économistes modernes*. M. R. Cobden, M. F. Bastiat, M. M. Chevalier, M. J. S. Mill, M. L. Faucher, M. P. Rossi (Paris: Michel Lévy, 1862), pp. 302-3.
- [7] Charles Coquelin, "Économie politique," *Dictionnaire de l'économie politique* (Paris: Guillaumin, 1864), vol. I, p. 643.
- [8] Charles Coquelin, "Économie politique," *Dictionnaire de l'économie politique* (Paris: Guillaumin, 1864), vol. I, p. 664.
- [9] Bastiat, , *Economic Harmonies* (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, 1968), p. 527. <http://oll.libertyfund.org/titles/79#Bastiat_0187_2493>. See also Leroux, chapter 4, "Salvation through science," *Political Economy and Liberalism in France: The Contributions of Frédéric Bastiat*, London, Routledge, 2011.
- [10] *Cobden et la Ligue* (1845) in *Œuvres complètes* (1854), vol. III, p. 8.
- [11] Bastiat, "Abondance" in *Œuvres complètes* (1854), vol. V, p. 393.
- [12] Bastiat, "De l'influence des tarifs français et anglais sur l'avenir des deux peuples" (1844) in *Œuvres complètes* (1854), vol. I, pp. 334-86.
- [13] Bastiat, "Un économiste à M. de Lamartine," in *Œuvres complètes* (1854), vol. I, pp. 406-10.
- [14] J.-P. Allinne, "Frédéric Bastiat, un pédagogue des Lumières," in *Frédéric Bastiat et le libéralisme*, Actes du congrès de Bayonne des 13 et 14 octobre 1995, p. 11.
- [15] Bastiat, "What Is Seen and What Is Not Seen," in *Selected Essays on Political Economy* (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, 1968), p. 1.
- [16] Bastiat, "73. Projet de Préface pour les Harmonies économiques," in *Œuvres complètes* (1864), vol. VII, pp. 307-8.
- [17] Pareto, *Œuvres complètes*, (Genève: Droz, 1965), vol. V, p. 54.
- [18] Ralph Raico, "L'œuvre de Frédéric Bastiat en perspective", in J. Garelo (ed.), *Aimez-vous Bastiat?* (Paris: Romillat, 2002), p. 51.
- [19] Frédéric Passy, "Le centenaire de Frédéric Bastiat", *Bulletin de la société d'économie politique* (1901), p. 132.
- [20] G. Valber, "Une correspondance inédite de Frédéric Bastiat", *Revue des deux mondes* (1878), p. 221, Victor Cherbuliez.
- [21] Hyppolyte Castille, *Hommes et moeurs en France sous le règne de Louis Philippe* (Paris: Henneton, 1853), p. 181.
- [22] Max Maurel, "Le centenaire de Frédéric Bastiat", *Bulletin de la société d'économie politique* (1901), pp. 147-48.

2. RESPONSES AND CRITIQUES

1. Response by Donald J. Boudreaux, “Bastiat Lenses”

In June 2001 a group of about 200 liberals – true liberals – from around the world boarded some buses for a short ride through southwestern France from Pau to Frédéric Bastiat’s hometown of Mugron. I was thrilled to be among those visiting Mugron to celebrate the bicentennial of Bastiat’s birth.

As the buses pulled into town, my companions and I could see the bust of Bastiat standing prominently, on permanent display, in the center of Mugron’s town square. But something wasn’t right. Not only was Bastiat wearing a necklace of “Monopoly” money, but also, surrounding the pedestal that supported his bust, were a few dozen noisy young men and women. When the buses’ engines fell silent we could hear this minimob chanting “*Taxe Tobin maintenant!*” – the Tobin tax now!

Somehow, members of the French anti-globalization group *Attac* had learned of our plan to commemorate Bastiat’s 200th birthday. And the *Attac*-ers had every intention of disrupting our modest and peaceful commemoration. They partially succeeded.

Whenever one of our speakers rose to say a few words, the *Attac*-ers – some of whom had gained access to a nearby clock-tower – clanged a loud bell that drowned out our speakers’ remarks. After we abandoned our efforts to listen to a few speeches about Bastiat and his legacy, we walked to a nearby spread of food and wine that was set up for our enjoyment. The *Attac*-ers joined us, and helped themselves uninvited to our food and drink.

The rich irony of the attack on our bicentennial birthday commemoration would not have been lost on the great man whose birth we liberals had come to celebrate. And exploration of this irony goes far toward reinforcing the message in Robert Leroux’s fine lead essay.

Most obviously – that which is first seen! – is the bizarre misuse today of the word “liberal” in English-speaking countries. A group of people, having paid their own way (and having secured all requisite permits

from the local government) to peacefully celebrate the life of a scholar, suffered harassment, disruption, and thievery from thugs who object to Bastiat’s ideas. *Attac* proudly used physical force to prevent speech critical of protectionist policies – policies that deny consumers the right to spend their money as they see fit as well as thwart the social and economic improvements that result from free trade.

Yet in modern American English the *Attac*-ers are called “liberal,” while those of us who celebrate freedom of consumer choice – and who applaud the dynamic changes brought about by globalization – are called “conservative.”

One can only imagine the fun that Bastiat would have had satirizing this grotesque change – a change that occurred long after his death in 1850 – in the popular meaning of the word “liberal.”

Another irony was the *Attac*-ers’ call for a Tobin tax.

The Tobin tax (named after the late Nobel laureate economist James Tobin) is a small tax on foreign-exchange transactions. (Indeed, the name *Attac* is an acronym for Association for the Taxation of Financial Transactions for the Aid of Citizens.) The chief purpose of this tax is to suppress short-run cross-border speculation in asset values. Such speculation is mistakenly believed to be harmful – an error caused by a classic failure to heed Bastiat’s most famous advice, namely, to understand that much that is unseen always lay behind that which is seen.

What is immediately seen about international speculation is a rapid fall in a country’s asset prices whenever speculators sell currency and other assets in that country. But what is not seen is far more important.

What is not seen includes a government’s bad policies that are the ultimate cause of speculative country-wide selloffs of assets. Speculators sell only when they believe that the prices of the assets they own will fall – and nothing puts across-the-board downward pressure on the prices of assets in a country quite like unwise economic policies implemented by that country’s government. A Tobin tax would indeed diminish such speculation today and might, today, protect some innocent people from suffering large declines in the values of their financial portfolios. An unseen consequence, however, of such a tax will be asset prices that reflect less accurately and less quickly the likely long-run con-

sequences of government policies. In response to this loosened discipline applied by financial markets, governments will become even more prone to pursue economically destructive policies.

Over time, asset values will be lower than otherwise because market forces – hamstrung by less-constrained governments – will be weaker in harnessing human creativity, capital goods, and raw materials in ways that generate economic growth. [23]

No one can doubt that the most frequent mistake made by people (like the *Attac*-ers) who do not understand economics is their failure to see the full range of consequences of economic and political activities. Nor can anyone doubt that Bastiat's classic essay "What Is Seen and What Is Not Seen" remains the gold-standard explanation of the significance of 'seeing' what is typically not seen. [24]

Of course, the set of economic consequences that a person sees is determined by the clarity of his or understanding of economics. The better one understands economics, the more visible is the invisible hand – in broad outline and scope, if not in rich detail. Economics, when done well, might be thought of as corrective eyewear.

Bastiat's great genius was his unsurpassed skill at crafting quality lenses that were inexpensive to acquire and comfortable to wear. Writing with lucidity and humor, he distilled for his readers the essential features of economic processes. Any vision-impaired person could with ease and comfort – and, indeed, also with enjoyment – slip on a pair of Bastiat glasses and soon gaze upon features of reality that were previously hidden.

An unfortunate irony of Bastiat's excellence at crafting such economic-vision-enhancing lenses is that he remains largely ignored by professional economists. If I may continue with the analogy of crafting lenses, we might say that economists since Bastiat's day have become obsessed with building microscopes and telescopes and, in the process, have ignored the important task of fitting the public with corrective eyewear.

Many of these microscopes and telescopes are useful. They reveal to specialists previously unseen esoteric phenomena, for example, in the case of an economic microscope, why corporations might choose debt financing instead of equity financing, and in the

case of an economic telescope, the consequences for economy-wide employment of people choosing to increase the amount of money they hold.

Unfortunately, several of these microscopes and telescopes serve more to distort economists' vision than to enhance it. A microscope, for example, that allows its user to discover and focus on a potential "market failure" – say, the potential for adverse selection to infect the market for medical insurance – too often hides from that economist other market phenomena that are at work to remedy this problem.

Bastiat was indeed not consumed with building microscopes and telescopes. Again, he devoted his efforts chiefly to an enterprise far more important: crafting corrective economic lenses for the masses. But only because he was expert in all the phenomena, microscopic and telescopic, that the best scholarship of his day revealed to professional economists could Bastiat so brilliantly craft such fine-fitting lenses that allowed ordinary men and women to see without distortion or bias all that is most relevant in economic reality.

The lenses that Bastiat crafted were so expertly shaped and polished that they work today just as well as they did when he first produced them.

Partly because of his sterling clarity and humor, and partly because so much of his effort was spent on fashioning vision-correction for the masses (rather than on building highly specialized microscopes and telescopes), Bastiat is held today – as he has been held for a long time – as having been something less than a first-rate economist. This attitude toward Bastiat is wholly unwarranted.

Not only can better understanding of basic economics by the general public reduce the demand for destructive government interventions, but so too can such understanding improve the work of professional economists. Economists who concentrate on peering through microscopes and telescopes too often do not see – when they stand back from their specialized instruments – the important, if less esoteric, economic phenomena that Bastiat's more quotidian lenses make visible. Too many professional economists today, no less members of the general public, would have much better economic vision if they were to wear some Bastiat lenses.

Endnotes

[23] The more-sophisticated proponents of the Tobin tax insist that the tax, by preventing only short-run speculation, decreases short-run market volatility. But those who advance this argument are blind to a reality highlighted by economist Tim Harford: A Tobin tax “will reduce liquidity, which in most theoretical models and most empirical studies increases short-term volatility.” (Harford, “A Poor Excuse to Rob from the Rich,” *Financial Times*, Feb. 2, 2013.) The bulk of the empirical evidence supports Harford’s point. See, e.g., Robert Aliber, Bhagwan Chowdhry, and Shu Yan, “Some Evidence that a Tobin Tax on Foreign Exchange Transactions May Increase Volatility,” *European Finance Review*, vol. 7 (2003) pp. 481-510; Katuscia Mannaro, Michele Marchesi, and Alessio Setzu, “Using an Artificial Financial Market for Assessing the Impact of Tobin-like Transaction Taxes,” *Journal of Economic Behavior & Organization*, vol. 67, (August 2008), pp. 445-62; and Neil McCulloch and Grazia Pacillo, “The Tobin Tax: A Review of the Evidence,” *IDS Research Reports*, vol. 2011, issue 68, (May 2011), pp. 1-77.

[24] “What Is Seen and What Is Not Seen” in Frédéric Bastiat, *Selected Essays on Political Economy*, trans. Seymour Cain, ed. George B. de Huszar, introduction by F.A. Hayek (Irvington-on-Hudson: Foundation for Economic Education, 1995). Chapter 1: What Is Seen and What Is Not Seen <http://oll.libertyfund.org/titles/956#f0181_label_033>.

2. David M. Hart, “Will The Real Bastiat Please Stand Up?”

Robert Leroux’s essay prompted a number of thoughts that I would like to see addressed in the course of this discussion. They include the following:

1. Should Bastiat be regarded primarily as a journalist or did he also make significant contributions to economic and political theory?
2. How successfully did he make the transition from economic journalist to economic theorist?
3. If he did make original contributions to theory, how original was he?
4. How should we assess the other aspects of Bastiat’s very full life as campaigner for free trade, a revolutionary activist and politician, and a courageous individual suffering from a terminal illness?
5. What was it about Paris in the late 1840s that resulted in a number of interesting and original liberal thinkers to emerge at that time (Bastiat was only one of a handful)?
6. What is Bastiat’s legacy today, and what might it have been if had had lived a bit longer?

I would like to begin with a few comments addressing Robert’s remarks about Bastiat’s originality as a social theorist (Q3).

The easy mistake for modern readers is to see Bastiat the original “theorist” already fully formed between 1846 and early 1848 (the period when he was writing the brilliant economic sophisms)[25] and not to see him then as a “theorist in waiting” as it were, waiting for the time and opportunity to gather all his original insights and put them in a more coherent and fully thought out form. I think Bastiat began as an economic journalist in working as an activist for the free-trade movement. In the process he discovered he had both a facility for writing and some profound insights into how the free market operates that others either had not thought of or had not developed fully. But it took a few years before he felt able to make the transition from journalist to theorist, and then he ran out of time when his illness ended his life. During 1848 through 1850 he was feverishly trying to complete his treatise on political economy in spite of three significant distractions, which ultimately prevented him from achieving his

goal. I will comment on these distractions to his theoretical work in a future post.

In spite of these distractions, throughout 1848-1850 Bastiat continued to write scholarly articles for the *Journal des économistes*, to attend discussions organized by the Political Economy Society, and to work on chapters of his magnum opus on economic theory, *Economic Harmonies*. [26] Not surprisingly, he was not able to complete more than half the volume, which he had been working on intermittently since July 1847 when he began lecturing on political economy at the School of Law in Paris. The working title of the book then was “The Harmony of Social Laws,” and this eventually became *Economic Harmonies*, the first 10 chapters of which were published in January 1850. His friend and literary executor Prosper Paillottet gathered and edited what he could from unfinished drafts and sketches and published a more complete edition in 1851. From this and his articles published in the *Journal des économistes*, and from summaries of the debates at the Political Economy Society, we can piece together what is most original in Bastiat’s economic thought and in what directions he might have gone if he had lived a few years longer.[27] Robert has provided us with a list of several of these original insights, but I would add a couple more to that list. Here is my summary of Bastiat’s theoretical innovations in the disciplines of economic, political, and sociological theory with fuller comments following:

1. His methodological individualism
2. Rethinking the classical theory of rent
3. The rejection of Malthusian limits to population growth
4. The quantification of the impact of economic events
5. The idea of “spontaneous” or “harmonious” order
6. The interconnectedness of all economic activity
7. His theory of the “economic sociology” of the State
8. His Public Choice-like theory of politics.

(1) **His methodological individualism.** Rather than starting from “exchange” or “production,” which was the wont of most classical economists of the day, Bastiat began his analysis with the acting, choosing individual who has limited time and resources and competing preferences that need to be satisfied in their

order of priority. This is why modern-day Austrian economists find his writing so congenial: He seems to found his economic theory on a kind of “pure theory of choice.” This approach comes out most clearly in his many references to Robinson Crusoe and how he goes about organizing his life on the Island of Despair. [28] Economic decisions about what to do, when, and how take up a lot of his time before the opportunities for trade (with Friday) come into the picture. Richard Whately dismissed this kind of economics entirely (in a very Schumpeterian manner) on the sole grounds that no exchange was involved, thus there was no “economics” to talk about. [29] I believe this is one of the great innovations of Bastiat, namely, the invention of “Crusoe economics” as a thought experiment in order to better understand how individuals go about making economic decisions even before formal exchange takes place. No one before Bastiat did this in any systematic way. Of course it is a commonplace practice today, which no economist lecturing to first year students could do without.

(2) **Rethinking the classical theory of rent.**

This was the topic that most upset the other political economists in the meetings of the Political Economy Society, and Bastiat was very hurt and frustrated that they did not understand or appreciate what he was trying to do.[30] They completely rejected Bastiat’s reformulation of the classical Ricardian theory. In his debates with socialists like Proudhon over the morality of profit and interest, Bastiat had come to the realization that the distinctions between profit, interest, and rent had broken down theoretically and should be abandoned. This was especially true for rent, which many mainstream economists still thought was somehow unique and different from other sources of income. This was because they still retained the 18th-century notion that there was something “free” (a gift from nature and thus not man-made) in any income that came from the soil, sunshine, and rain. What Bastiat tried to do was to create a more general theory of profit-making, which he summarized somewhat crudely as “the exchange of service for service.” Thus a manufacturer provides a consumer with a “service” when he sells him a piece a cloth for a sum of money (profit); the banker provides a consumer with a “service” when he lends him a lump sum of money now in return for payments over a period of time (interest); and a landowner provides a farmer with a “service” when he

lets him use a piece of land to grow crops in exchange for an annual payment (rent). Bastiat very originally thought that they were all variations on the same theme and that there was nothing unique or peculiar about rent. The other political economists rejected this fundamental challenge to the orthodox way of thinking about rent. Bastiat's only ally in these debates was Roger de Fontenay (1809-91), who assisted Pailloitet in editing Bastiat's works after his death and who also wrote a book on rent using Bastiat's new theory. [31]

(3) **The rejection of Malthusian limits to population growth.** The second orthodoxy of the classical school that Bastiat challenged was the idea that mankind was trapped in an inevitable crunch between limited increases in the production of food and unlimited increases in the size of human populations, which would lead to periodic famines and other disasters. Some of Bastiat's closest friends, like Joseph Garnier and Gustave de Molinari, were staunch Malthusians, which made Bastiat's challenge quite difficult personally. Bastiat rejected the Malthusian orthodoxy on a number of grounds: [32] Firstly, he had a notion of "human capital" (although he did not use this term) that regarded more people as a boon to the economy not a hindrance, as they would produce and create things and then trade these things with others, thus increasing everybody's standard of living; secondly, he believed that the economists had underestimated the productive capacity that the industrial revolution, the division of labor, and free trade would unleash; and thirdly, that as rational, thinking, and planning individuals, people could and would use "moral restraint" to limit or postpone the size of their families. On all three grounds history has proven Bastiat correct and the Malthusians wrong.

(4) **The quantification of the impact of economic events.** This may seem a strange thing to include in a list of Bastiat's theoretical innovations, as he seems to be much more of a "moral economist" or "philosophical economist" than a "mathematical economist." But I think a case can be made for the latter, or at least one in embryo. He began to speculate on what the costs of economic intervention by the state (or outright destruction of assets in the case of the famous broken window) might be to consumers in May 1847, when he took an idea from the Anti-Corn Law writer Thomas Perronet Thompson, which he called "the

double incidence of loss," and began to apply it to more complex situations. [33] In his earliest formulation (ES3 6 "One Profit versus Two Losses" [May 9, 1847] and ES3 7 "Two Losses versus One Profit" [May 30, 1847]), Bastiat thought there were only three parties whose gains and losses needed to be considered: the person whose window is broken ("the seen"), the glazier who gets work replacing the broken window (another example of "the seen"), and the boot maker who does not make a sale to the owner of the broken window ("the unseen"). Moreover, he thought the losses or gains were equal for each party. Upon further reflection Bastiat came to the realization that this approach was inadequate because many more parties were involved to one degree or another (perhaps millions) and that the gains and losses were different and variable. His new version of the theory was called "the sophism of the ricochet" [34] in which he described a "ricochet or flow on effect" that rippled outwards from an economic action and affected a huge number of individuals as its disturbances diminished according to distance from the original action. [35] Bastiat realized he did not have the mathematics to calculate what these ricochet effects might be (he needed some calculus) so he wrote to a prominent liberal astronomer and mathematician François Arago appealing for help. [36] We have no record if any answer to Bastiat's queries was given. Nevertheless Bastiat continued to work on his theory of the ricochet effect, which he took in new and interesting ways. For example, he recognized that not all ricochet effects were harmful or negative (like tariffs or government subsidies to industry), but could also be positive. Examples of the latter included the invention of printing and steam locomotion, which dramatically lowered the cost of the dissemination of ideas, or the cost of transportation, and these savings flowed through the economy providing benefits that were systemic. It is interesting to speculate what Bastiat might have done with this idea if he had had the right mathematics and enough life left in him to do something with it. Perhaps here we can see Bastiat the "mathematical economist" in the making.

(5) **The idea of "spontaneous," or "harmonious," order.** Since Robert has already mentioned this aspect of Bastiat's originality, I will only note it and pass on to other matters. I will only add that this is yet another idea in Bastiat's thinking that modern Austri-

ans (Hayekians in this case) find very congenial, seeing him as a precursor to or even a proto-Austrian theorist.

(6) **The interconnectedness of all economic activity.** This idea is very much related to Bastiat's idea of "the ricochet effect," as he came to the realization that millions of economic actors were affected by changes that were taking place around them, either negatively in the case of government intervention or positively in the case of technological innovations. A study of the language Bastiat uses in his writings on this topic shows how he thought of the interconnectedness of all economic activity as something like electricity that courses through wires, or water that flows through channels, or pebbles that bounce across a flat body of water causing ripples. What is intriguing here is how close Bastiat was to seeing these economic activities as carriers of information (in a Hayekian sense) about the consequences of economic activity to millions of participants. Economic losses and gains spread out from a single action, requiring individuals to adjust their behavior accordingly.

(7) **His theory of the "economic sociology" of the state.** If the second half of the *Economic Harmonies* was the first book Bastiat never finished, then his *History of Plunder* was his second. Paillottet tells us in a footnote at the end of the first half of *Economic Harmonies*, in the fuller version he published in 1851 after Bastiat's death, and in other footnotes in the *Oeuvres complètes* what Bastiat's intentions were for such a book. Bastiat had a clear theory of plunder, exploitation, and class analysis that he had developed in the opening two chapters of *Economic Sophisms Series II* (January 1848), several essays written in 1848 ("Property and Law" [May 1848] and "Property and Plunder" [July 1848]), and the sketch in the conclusion to the unfinished 1850 edition of the *Economic Harmonies* [see for example <http://oll.libertyfund.org/titles/79#lf0187_head_038>]. He believed there was a dichotomy between two antagonistic classes that had been at war for centuries, namely "*les classes spoliées*" (the plundered classes) and "*la classe spoliatrice*" (the plundering class). [37] This class struggle (and I deliberately use this expression taken from the Marxists) had gone through various stages, which Bastiat wanted to explore in his *History of Plunder*, beginning with war and moving on to slavery, theocracy, monopoly, government exploitation, and communism.

The most detailed account he gave in his scattered writings was in "The Physiology of Plunder" in ES2, where he explored in some depth the idea of "Theological Plunder" as a kind of case study of how he was going to apply his method to the study of European history. [38] It is interesting to note that Bastiat did have a place for Malthusian limits to growth in his sociology of the growth of State power. [39] According to Bastiat's theory, a state would continue to expand in size until it reached a limit imposed on it by the capacity of the taxpaying people to continue to fund the state at this level. Then a reaction would set in: The state's plundering would be resisted and a lower level of exploitation would be established, at which time the state would begin growing again until another "Malthusian crisis" point was reached. This cycle, he thought, was one that had been driving European history for centuries. [40] Thus, this interest in the sociology of the state suggests that Bastiat is also a "sociological economist" who has a theory of class analysis and class conflict that is far superior to that developed by Karl Marx.

(8) **His Public Choice-like theory of politics.** I will not say much about this aspect of his thought, except to say that it is perhaps the least developed of Bastiat's original contributions. It seems to me that many of Bastiat's insights into how the state operates and how vested interests use the state to gain privileges and subsidies is very Public Choice-like. One could do what some modern Austrian economists have done and trawl through Bastiat's writings to find his scattered insights into how political organizations work, which Public Choice theorists would find congenial. Perhaps in addition to being a proto-Austrian, Bastiat is also a proto-Public Choice theorist? However, I would prefer leaving the making of a final assessment of the real nature of his contribution in this area to an expert.

Thus to summarize, concerning his theoretical achievements one might say that there are "multiple Bastiats" who deserve our scholarly attention: There is the "Austrian Bastiat" (or at least a "Hayekian Bastiat"), the "mathematical Bastiat," the "sociological Bastiat," and the "Public Choice Bastiat." One might also say the same about "Bastiat the man," as we can identify several aspects of his personal life that are noteworthy and deserving of the attention of the historian. There is "Bastiat the agitator for free trade," "Bastiat the journalist," "Bastiat the revolutionary," "Bastiat the politician," and "Bastiat the sufferer of a terminal ill-

ness.” But these are matters best left to future posts. In the meantime, perhaps we could ask if the “real Bastiat” would please stand up?

Endnotes

[25] The first collection of the *Economic Sophisms* was published in January 1846 and a second collection appeared in January 1848. Both volumes were immediately translated into English and other European languages. There was enough material for a third series but this never appeared in Bastiat’s lifetime. Paillottet included them in his edition of the *Oeuvres complètes* but they were not well organized. Liberty Fund is translating them for the first time in volume 3 of its *Collected Works*. In this essay the following abbreviations are used: ES1 refers to the first series of *Economic Sophisms* which appeared in 1846; ES2 refers to the second series of *Economic Sophisms* which were published in early 1848; ES3 refers to the never translated third collection of Sophisms which will appear in Liberty Fund’s translation of his *Collected Works*, vol. 3 (forthcoming) and which were published in the *Oeuvres complètes* (1854) but scattered throughout the volumes.

[26] Frédéric Bastiat, *Economic Harmonies*, trans by W. Hayden Boyers, ed. George B. de Huszar, introduction by Dean Russell (Irvington-on-Hudson: Foundation for Economic Education, 1996). <<http://oll.libertyfund.org/titles/79>>.

[27] A list of his essays, articles and summaries of his contributions to debates in the Political Economy Society which were published in the *Journal des économistes* can be found in the Bibliography.

[28] References to Robinson Crusoe can be found in ES3 14, “Making a Mountain out of a Mole Hill” (c. 1847) (forthcoming), and ES2 14. “Something Else” (March 21, 1847) <http://oll.libertyfund.org/titles/276#Bastiat_0182_1644>. In addition, there is a discussion of how a negotiation might have taken place between Crusoe and Friday over exchanging game and fish in “Property and Plunder,” (July 1848), *Collected Works* vol. 2, p. 155, “Second Letter” <http://oll.libertyfund.org/titles/2450#Bastiat_1573-02_1095>; and there are 16 references to “Robinson” in the *Economic Harmonies*, especially in chapter 4, “Exchange”, for ex-

ample here <http://oll.libertyfund.org/titles/79#Bastiat_0187_428>.

[29] Richard Whately, *Introductory Lectures on Political Economy*, Lecture I. “A man, for instance, in a desert island, like Alex. Selkirke, or the personage his adventures are supposed to have suggested, Robinson Crusoe, is in a situation of which Political-Economy takes no cognizance.” <http://oll.libertyfund.org/titles/1377#Whately_0208_28>.

[30] See Bastiat, “209. Letter to *Le Journal des économistes* [undated],” *Collected Works* vol. 1 <http://oll.libertyfund.org/titles/2393#lf1573-01_head_235>. Also See *Economic Harmonies*, Chapter 13: Rent <http://oll.libertyfund.org/titles/79#Bastiat_0187_1708> and the French editor's comments.

[31] Roger de Fontenay, *Du revenu foncier* (Guillaumin, 1854).

[32] See Bastiat, “De la population,” *Journal des économistes*, October 1846, T. XV, pp. 217-34; and the incomplete chapter 16, “On Population,” in *Economic Harmonies* <http://oll.libertyfund.org/titles/79#lf0187_label_171> and the accompanying French editor’s note <http://oll.libertyfund.org/titles/79#lf0187_endnote_nt071>.

[33] See Perronet Thompson, A Running Commentary on Anti-Commercial Fallacies (1836), pp. 188-89.

[34] In January 1848 Bastiat expressed some regret in a public lecture he gave for the Free Trade Association at the Salle Montesquieu in Paris that he had never got around to writing a sophism explicitly about what he called *le sophisme des ricochets* (the sophism of the ricochet effect). This was a topic that increasingly preoccupied him between the beginning of 1848 and his death at the end of 1850. Bastiat’s speech can be found in *Oeuvres complètes*, vol. 2, “48. Septième Discours, à Paris, Salle Montesquieu, 7 Janvier 1848.”

[35] Bastiat’s use of the term “ricochet” would make an interesting study. An analysis of this was not possible until we had access to his collected works in electronic format. A key word search of his works in French shows a total of 25 occurrences of the word, which can be broken down in the following way: [The following volume numbers refer to Liberty Fund's edition of his *Collected Works*]: There are none in vol. 1 (*Correspondence*); two in vol. 2 (*Political Writings*); eight in vol. 3 (*Economic Sophisms*) most of which (seven) were in Series 3, which have never been translated into English

before (five of the references can be found in one essay in ES3 18, “Monita Secreta” [February 1848]); two in vol. 4 (*Miscellaneous Economic Writings*); five in vol. 5 *Economic Harmonies*, all of which occur in the second half of the book, which were published posthumously by Paillottet; and eight in vol. 6 (writings on *Free Trade*). In the older Foundation for Economic Education translations only one of these occurrences was picked up, in *Economic Harmonies*: “Thus, wine in France was once the object of a multitude of taxes and controls. Then a system was contrived for restricting its sale outside the country. This case illustrates how the evils that arise tend to ricochet from producer to consumer.” Chapter 11, “Producer and Consumer”; online: <http://oll.libertyfund.org/titles/79#lf0187_label_152>. In the other four cases synonyms like “indirect” were used instead. I think the importance of this concept to Bastiat has been overlooked by scholars because of the inconsistent way the word has been translated into English. They have seen it as a colorful even poetic term rather than the technical economic term Bastiat considered it to be.

[36] Bastiat’s appeal to Arago can be found in ES3 7, “Two Losses versus One Profit” (May 30, 1847), *Collected Works*, vol. 3 (forthcoming).

[37] The stark dichotomy Bastiat establishes between these classes is very clear in the original French but less so in the older FEE translation. An important paragraph (seventh from the end of the chapter) shows this quite clearly. It also shows how Bastiat’s use of the technical expression *par ricochet* gets overlooked. Bastiat is describing the commonly held “specious” argument in defense of legal plunder by the state, namely, that it enriches everybody either directly or indirectly. The French original states “La spoliation est avantageuse à tout le monde: à la classe spoliatrice qu'elle enrichit directement, aux classes spoliées qu'elle enrichit *par ricochet*.” (Emphasis added.) The FEE translation states, “Plunder is good for everybody. The *plundering class* is benefited directly; the *other classes*, by the *indirect effect* of increased spending.” [A more accurate translation would be: “Plunder is good for everybody. The *plundering class* is benefited directly; the *plundered classes*, by the *ricochet effect*.”]. Note how “*les classes spoliées*” has become “the other classes” and how “*elle enrichit par ricochet*” has become “the indirect effect of increased spending.” See *Economic Harmonies*, chapter 17, “Private and Public

Services” <http://oll.libertyfund.org/titles/79#Bastiat_0187_2187>.

[38] On “plunder by theocratic fraud” see ES2 1, “The Physiology of Plunder” (FEE edition) <http://oll.libertyfund.org/titles/276#Bastiat_0182_706>. Also Frédéric Bastiat, *The Collected Works of Frédéric Bastiat. Vol. 2: The Law, The State, and Other Political Writings, 1843-1850*. Chapter 4: Property and Law <http://oll.libertyfund.org/titles/2450#lf1573-02_label_134>. Chapter 10: Property and Plunder <http://oll.libertyfund.org/titles/2450#lf1573-02_label_218>.

[39] See ES2 1, “The Physiology of Plunder”: “Plunderers conform to the Malthusian law: they multiply with the means of existence; and the means of existence of knaves is the credulity of their dupes.” (FEE edition) <http://oll.libertyfund.org/titles/276#Bastiat_0182_723>, and “The state too is subject to the Malthusian law. It tends to expand in proportion to its means of existence and to live beyond its means, and these are, in the last analysis, nothing but the substance of the people.” (FEE edition.) <http://oll.libertyfund.org/titles/276#Bastiat_0182_734>.

[40] This idea is expressed very clearly in a letter he wrote to Mme. Cheuvreux on June 23, 1850, where Bastiat talks about how history is divided into two phases in an apparently never-ending class war to control the state: “As long as the state is regarded in this way as a source of favors, our history will be seen as having only two phases, the periods of conflict as to who will take control of the state and the periods of truce, which will be the transitory reign of a triumphant oppression, the harbinger of a fresh conflict.” See *Collected Works* vol. 1, 176. Letter to Mme Cheuvreux (Les Eaux-Bonnes, 23 June 1850), pp. 251-52. <http://oll.libertyfund.org/titles/2393#Bastiat_1573-01_1275>.

3. Michael C. Munger, "A Theory about Doing Nothing"

It was a pleasure to read Prof. Leroux's paper on Bastiat's thought, his place in economics, and his place in the French intellectual community. I have always wondered if Bastiat's ability to explain just what he meant, and to go clearly to the heart of the matter, served him ill. I propose a "sociology of science" exercise, as an extension of the observations Prof. Leroux offers us.

Bastiat was ahead of his time, in two ways. First, marginalism and subjectivism had not yet been developed, so Bastiat had to rely on his intuition. But economics is notoriously *unintuitive*, especially on first contact, for most people. Second, Bastiat's contributions support "a theory about doing nothing." This was more than a century before the sitcom *Seinfeld*, a "show about nothing," debuted in July 1989. Worse, *Seinfeld* was a sitcom.

A theory that advocates doing nothing is likely to be laughed at, too, even if it is correct. Social problems seem serious and seem to require serious people doing serious things. Bastiat wrote simply and clearly, with humor, and showed that nearly anything the state could actually do would make things worse. How could *that* be a theory?

The Problem of Clear Explanation

I would ask that the reader consider three theoretical premises, and one empirical premise, on the way to a conclusion.

Premise 1: It is more difficult to write clearly than to obfuscate. This is true in direct proportion to the difficulty of the concepts being written about. Simple concepts can be described clearly, though it is not easy. Hard concepts are extremely difficult to describe clearly.

Premise 2: Ideas not already shared by the reader will cause most readers to reject the new ideas and in many cases even to fail to think about the ideas very deeply. Having one's mind changed is an uncomfortable business; being wrong about fundamental ideals regarding society and the world are *especially* uncomfortable.

Premise 3: Clarity by its nature reduces ambiguity. Ambiguity allows the reader to attribute to the ambiguous writer opinions or claims that are not really there. Ideally, the argument is so ambiguous that nothing is "really there" — à la Rousseau or Derrida — so that the theory is a kind of intellectual tofu, absorbing whatever flavors the reader most wants to mix in. Clear writers will therefore find fewer people who agree with them at first contact with new ideas.

Empirical Premise 1: Simply as a matter of fact, most people find ideas about economics to be extremely difficult and complex. In particular, the idea that problems will be solved if the state does nothing are particularly counterintuitive.

Conclusion: Those who claim Bastiat is "not a theorist" are confused. Most theorists, to be sure, are ambiguous, unclear, and obfuscatory. But it does not follow that anyone who fails to be ambiguous, unclear, and obfuscatory is therefore *not* a theorist. Still, opaqueness is an advantage: Some of the "great" economic theorists, such as Marx, Veblen, or Keynes, are revered precisely because none of their claims can be understood. But this is not apithology, but pathology. Once it is recognized that clarity and precision are actually virtues, rather than flaws, it becomes obvious that Bastiat was not only a theorist but a theorist of the first rank.

Bastiat and a Theory About Doing Nothing

Bastiat was one of the first writers, predating even the Austrian subjectivists, to recognize the problem of uncertainty and ignorance in human affairs. For this reason, he is skeptical of the claims of those that "we" "know" what to do. It would be surprising if there is a "we," or a coherent and active collective will, in economic affairs. And it is impossible to imagine that "we," if it did exist, could "know" all the complex facts and means-ends relations that would be required to plan and execute the activities that market processes are able to carry out with neither a coherent "we" nor anything like "knowing." To the social theorist interested in what we should do, based on what we know, Bastiat's claims seem like nihilism, the antithesis of theory. In effect, it is a theory about doing nothing.

There are many examples, but one of the clearest (and most interesting, from the perspective of modern

Austrian economics works on entrepreneurs and commerce) can be found in one his greatest works, “What is Seen and What is Not Seen” (1850, Chapter 6, “Middlemen.”) It is worth quoting at length[41]:

[The] schools of thought are vehement in their attack on those they call middlemen. They would willingly eliminate the capitalist, the banker, the speculator, the entrepreneur, the businessman, and the merchant, accusing them of interposing themselves between producer and consumer in order to fleece them both, without giving them anything of value. Or rather, the reformers would like to transfer to the state the work of the middlemen, for this work cannot be eliminated....

[Regarding the famine of 1847,] “Why,” they said, “leave to merchants the task of getting food-stuffs from the United States and the Crimea? Why cannot the state, the departments, and the municipalities organize a provisioning service and set up warehouses for stockpiling? They would sell at net cost, and the people, the poor people, would be relieved of the tribute that they pay to free, i.e., selfish, individualistic, anarchical trade.”...

When the stomach that is hungry is in Paris and the wheat that can satisfy it is in Odessa, the suffering will not cease until the wheat reaches the stomach. There are three ways to accomplish this: the hungry men can go themselves to find the wheat; they can put their trust in those who engage in this kind of business; or they can levy an assessment on themselves and charge public officials with the task. [pp. 19-20]

It may take a moment to realize that the problem here has a theoretical answer: Any action the state takes will impede the natural response of middlemen, and make things worse. The correct thing to do is nothing. What kind of theory is that?

There are three ways of getting food from farm to market. First, every consumer goes off on his own, with a cart, and transports back the grain his family needs. Second, middlemen can buy, transport, and resell the products. Third, the state can buy, transport, and resell the products, or give the products away for free once they have been transported.

No one seriously advocates the first alternative, where consumers go get the grain. It’s too far, and besides they would to feed themselves during the trip.

That leaves only options 2 and 3, meaning that the state must either do nothing—and in fact remove impediments to entrepreneurial action—or else the state must itself transport and distribute the grain.

Those concerned about equality might claim that the state can always perform the function of middlemen more fairly because the motivation is public service, not profit. And the state can always do it more cheaply because the costs of profit are not part of the process. But this is disastrously wrong. First, agents of the state are not, in fact, motivated by the public interest. They are no better than anyone else and act first to benefit themselves. Second, without the signals of price and profit provided by middlemen, no one knows what products should be shipped where or when. In short, without middlemen the state would act more slowly, less accurately, and at the wrong times.

Further, profit is crucial, and beneficial. It is because of profit that middlemen create value. And the seeking of profit by middlemen, buying cheap and selling dear, ensures that, as Bastiat put it, the “wheat will reach the stomach” faster, more cheaply, and more reliably than any service the state could possibly create. The system of middlemen performs what seems a miracle:

Directed by the comparison of prices, [middlemen distribute] food over the whole surface of the country, beginning always at the highest price, that is, where the demand is the greatest. It is impossible to imagine an organization more completely calculated to meet the needs of those who are in want.... (Bastiat, 1850, chapter 6, p. 21) [42]

Bastiat’s insight is remarkable, because it is intuitively a theory about doing nothing. The fact is that middlemen don’t require perfect markets, or the conditions of perfect competition provided by state action and regulation. Most important, actions taken by the state to achieve perfection achieve the opposite, no matter how earnest their intentions. Unexpectedly, middlemen themselves are the means by which markets become “perfect.” Arbitrage and bargain-hunting is the discipline that ensures a single price, providing accurate signals on relative scarcity and engendering enormous flows of resources and labor towards higher valued uses.

Endnotes

[41] Frédéric Bastiat, *What is Seen and What is Not Seen* (1850) in *Selected Essays on Political Economy*, trans. Seymour Cain, ed. George B. de Huszar, introduction by F.A. Hayek (Irvington-on-Hudson: Foundation for Economic Education, 1995). <http://oll.libertyfund.org/titles/956#Bastiat_0181_120>.

[42] Bastiat, *What is Seen and What is Not Seen* (1850), Chapter: 6. *Middlemen* <http://oll.libertyfund.org/titles/956#Bastiat_0181_134>.

3. THE CONVERSATION

1. Robert Leroux, "Multidisciplinary Man"

I should start by thanking my three colleagues for their generous and insightful comments.

There are many interesting and thought-provoking metaphors in Donald J. Boudreaux's comment. He argues that Bastiat was trying to build neither microscopes (i.e., rational-choice theory) nor telescopes (à la Marxism). Throughout his work, Bastiat places individuals in context and takes into account the role and the weight of the social phenomena. This approach favors integral political economy or social science. Even when Bastiat deals with macro phenomena (free trade, value, etc.), he never ignores individuals and their rationality. It means that there can be no conflict between the interests of the individuals and that of society. But according to Bastiat, individuals are the only concrete reality: "Individuality seems to me the point of departure, the motive, the universal wellspring to which Providence has confided human progress. It is surely in vain that modern socialists set themselves against this principle." [43] On this basis, Bastiat criticized all kind of collectivist determinism. As Donald Boudreaux suggests, at least implicitly, there are many methodological issues in Bastiat's work, especially his essay "What Is Seen and What Is Not Seen." In this famous essay Bastiat's lenses prevent myopia and presbyopia. But these lenses are useless to cure socialist thinkers' blindness.

David Hart raises crucial questions. He explains that Bastiat became a fully formed theorist between 1846 and 1848. I do agree with David Hart, but we should not forget the long period of gestation between 1820 and 1846. During those years Bastiat, as we can see in his correspondence, read many French liberal theoreticians such as Jean-Baptiste Say, Destutt de Tracy, Charles Dunoyer, and Charles Comte. In short, Bastiat fully embodies the intellectual legacy of French liberalism. Today he is sometimes presented as an important forerunner of the Austrian school. For Bastiat, as for Mises and Hayek, the possibility of a methodological unity between the natural sciences and the social sciences must be firmly dismissed. (See Hayek's critique of what he called "scientism.") [44]

What then is the method of economics and the social sciences at large? For Bastiat a scientific explanation of social phenomena must begin with individual intentions and designs. He suggests that it is futile to think about society, about people, about humanity or about the nation as though they were perfectly autonomous, devoid of individual rationality. From this perspective he does not hesitate to say, in a nicely turned phrase that contrasts sharply with the intellectual climate of the time, that "national progress is nothing other than individual progress." [45] I think that Bastiat could not have stated his methodological position more clearly.

David Hart discusses briefly Bastiat's theory of the "economic sociology" of the state. I am probably the only sociologist who believes that Bastiat must be considered a founder of "economic sociology," along with Max Weber, Vilfredo Pareto, and Thorstein Veblen. His theory of social classes, inspired by Dunoyer, Charles Comte, and the Idéologues, is more robust than of those Marxists. The importance of Bastiat's theory lies in the role played by individuals.

I think Michael Munger is right on target when he suggests that Bastiat was well served by the clarity of his style — "it is more difficult to write clearly than to obfuscate." That explains why Bastiat had so little recognition in his own country. Since Bastiat, the situation has not changed. Let me take a contemporary case. Since the 1960s, Pierre Bourdieu, Michel Foucault, and Jacques Derrida have been three of the main thinkers of the so called "French theory." In an interview, [46] John Searle, one of the few philosophers who writes clearly, related an amusing discussion he had with Foucault. Searle asked Foucault: "Why the hell do you write so badly?" Foucault replied: "Look, if I wrote as clear as you do, people in Paris wouldn't take me seriously... In France you got to have 10 percent incomprehensible." Having spent the last 12 years in a department of sociology, I have seen many kinds of obscurantism and fashionable nonsense (like postmodernism, relativism, feminism, queer studies, etc.). I am convinced — as a black-sheep sociologist — that a good theory must be realist. This theory refuses to explain phenomena by postulating social forces (structure, civilization, etc.). But today, most social scientists tend to use theory to propose an ideal form of social organization.

Bastiat, Michael Munger argued, developed a theory about doing nothing. This is right, especially when he is discussing the role and the weight of the state. On this basis, Bastiat was unrelenting in his attack on the leading socialists of his time, whom he described as those who sought “to mould the human clay.” [47] According to Bastiat, the socialists are dreamers who “draw it all, men and things alike, out of their own heads. They dream up a social order not connected with the human heart; then they invent a new human heart to go with their social order.” [48] This could be developed in a future post.

To sum up, there are of course, as David Hart said, “multiple Bastiat’s.” He was of course an economist, a sociologist, a philosopher, etc. Bastiat’s thought was in fact grounded in the multidisciplinary spirit of age. It was only in the early 20th century, for better or for worse, that the academic disciplines became distinct intellectual universes.

Endnotes

[43] “Individualisme et fraternité” (1847), in *Œuvres complètes*, t. VII, p. 335; “Individualism and Fraternity” in CW2, p. 87 <http://oll.libertyfund.org/titles/2450#Bastiat_1573-02_619> .

[44] F.A. Hayek, *The Counter-Revolution of Science: Studies in the Abuse of Reason* (Indianapolis, Ind.: LibertyPress, 1979 [1952]).

[45] “Anglomanie, anglophobie” (1847), in *Œuvres complètes*, t. VII, p. 321; “Anglomania, Angophobia” in CW1, p. 330 <http://oll.libertyfund.org/titles/2393#Bastiat_1573-01_1665> .

[46] <<http://www.youtube.com/watch?v=yvwhEI-hv3N0>> .

[47] *Economic Harmonies*, Chapter: 22: The Motive Force of Society. <http://oll.libertyfund.org/titles/79#Bastiat_0187_2483> .

[48] *Economic Harmonies* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1968 [1850], p. 528. Chapter: 22: The Motive Force of Society <http://oll.libertyfund.org/titles/79#Bastiat_0187_2495> .

2. Donald J. Boudreaux, "Does Bastiat Appeal Only to the Young?"

Robert Leroux’s follow-up essay quotes Bastiat’s accusation (from the FEE edition of *Economic Harmonies*) that the socialists of his day “draw it all, men and things alike, out of their own heads. They dream up a social order not connected with the human heart; then they invent a new human heart to go with their social order.”

Plus ça change, plus c'est la même chose. Although today’s advocates of top-down state control of individuals and society choose, for good marketing reasons, not to call themselves socialists, early 21st-century “Progressives” share with mid-19th-century socialists the hubris that they can consciously mold the human character and society’s order very much like a potter molds inert clay.

When I was in law school at the University of Virginia (1989-1992), I daily saw this “Progressive” hubris on full and flashy display, especially among my fellow students. Too many of them were in law school neither to learn what the law is nor to learn about the processes and institutions that give rise to law. No. They were in law school because they were aspiring legal central planners.

These students unthinkingly presumed that society requires a planner – a molder – whose will and intelligence guide his hands and his tools to form social order out of chaos. Law, therefore, was for these students that collection of commands issued by society’s molder. And there was no question for these students that without this molder of laws, law either would not exist or would be a randomly assembled mess of haphazard rules with no internal coherence.

The chief issue, then, for these students was *who* would be society’s molder. My fellow students, of course, fancied themselves in this role. They viewed law school as providing them with the practical training they’d need on how best to use the available machinery to mold the hapless masses into appropriate social shape.

The idea of spontaneous social, economic, and legal order was completely foreign to these students.

I – having already earned my doctoral degree in economics – beheld this ignorance of my intellectually arrogant fellow students with a combination of bemusement and terror.

From time to time, though, I would do more than observe; I would challenge this or that student to reconsider his or her premises. And on one very memorable occasion, I explicitly relied on Bastiat.

One student (call him Sam) was surprised to learn of my opposition to his idea for a new government program to employ all the soldiers who were destined to be discharged into the civilian workforce because of the end of the Cold War. “Who's going to employ all of these people?” Sam asked rhetorically.

In response – for I refused to treat his question as rhetorical – I summarized Bastiat's argument in “What Is Seen and What Is Unseen.” A day or two later I copied the essay and gave it to Sam for him to read – which he did. We then resumed our conversation.

At one point during the talk we had after he'd read Bastiat's famous essay, Sam surprised himself by granting many of Bastiat's points. I remember thinking, for a few minutes, that I (or, rather, the ghost of Bastiat) had gotten through to him. Alas, neither Bastiat's ghost nor I did any such thing. Sam quickly shook off his encounter with Bastiatian economics and, recovering his “Progressive” senses, insisted that I was “naïve to imagine” that private entrepreneurs and firms would have sufficient foresight, gumption, and resources to find ways to profitably employ large numbers of discharged military personnel.

But... But... At least Bastiat's ghost and I did make Sam think Bastiat-like if only briefly. Too short a time, it's true. But for a few minutes, that understanding was beginning to infiltrate Sam's thoughts.

I often think back to my conversations with Sam. I wonder what would have happened if he had encountered Bastiat earlier – say, when he was a freshman or sophomore at Brown University. By the time Sam got to law school, already 23 years old, his mind had been incurably blinded to the unseen.

I had the good fortune to be introduced to Bastiat's writings when I was only 18 years old. Reading Bastiat at that tender age had a huge impact on me, one that remains among the most significant of my life. Why? Is Bastiat best read by minds that are still largely blank

slates? Do Bastiat's clarity and humor subtract power from his prose when read by people, such as Sam, who fancy themselves intellectually sophisticated? How should Bastiat's arguments be introduced to market skeptics to ensure that those arguments receive the best hearing possible?

In short, why is this economist of unmatched stylistic *oomph!* and seldom-matched substantive rigor still known only to a far-too-small circle of people?

3. Michael C. Munger, "Did Bastiat Anticipate Public Choice?"

I wanted to take up the question raised by David Hart in his response essay. This is the question about whether Bastiat was an ur-text of Public Choice.

It seems clear that Bastiat clearly intuited at least the core assumptions of Public Choice, which are:

1. All individuals are largely similar, in terms of their goals and motivations. Consumers do not become angels when they enter the voting booth, and leaders do not become benevolent geniuses when they enter the legislature or the executive palace.
2. Government, properly conceived, is based on exchange, or capturing the gains of cooperation. The reason government is necessary, and perhaps even valuable, is that people are different and disagree. By allowing people to benefit by exchange, moderated by institutions that limit the scope of government, some kind of collective governance can be a Pareto improvement over autarky.
3. There is a tendency, however, for governments to sell, and for private agents to pursue, rents that both distort incentives and divert the attention of public and private actors.

There are clearly elements of all three of these core assumptions in several parts of Bastiat's corpus of work. While he did not fully work out the conclusions, he clearly understood both #1 and #3 at a deep level.

4. David M. Hart, "Why Bastiat Is Wasted on the Young"

Don Boudreaux raises a series of very interesting points about Bastiat's writing style, intellectual sophistication, and appeal (or lack thereof) to different audiences and age groups. If I too may be permitted some biographical reflections, I had quite a different reaction from Don's when I first read Bastiat.

I began reading Murray Rothbard and Ludwig von Mises when I was at high school and only discovered the existence of Bastiat after I had been grappling with *Man, Economy, and State* and *Human Action* for a few months. I got my copies of *Economic Harmonies*, *Selected Essays on Political Economy*, and *Economic Sophisms* from FEE, as everyone else did, and enjoyed his humor and clever free-trade arguments. The "broken window" fallacy became a staple of my set of rhetorical arguments in favor of free trade, and it has stayed with me for 40 years. But in the end, I dismissed Bastiat as a bit of an intellectual lightweight when compared to Rothbard and Mises, and agreed with Schumpeter and Hayek that Bastiat was a brilliant economic journalist but not much of a theorist. Leonard Liggio soon introduced me to the works of Gustave de Molinari (on whom I wrote my undergraduate honors thesis) and then Charles Comte and Charles Dunoyer (on whom I wrote my Ph.D. dissertation), and I left Bastiat behind. It was only much later, after I had joined Liberty Fund and began work on the six-volume translation project of Bastiat's *Collected Works* that I revised my opinion of him.

Having to review the translation that Liberty Fund had commissioned led me to read Bastiat in the original French for the first time, and this was a revelation to me. Having to check and expand the footnotes and glossary entries on Bastiat's sources and the people and events of his time led me to appreciate the depth of his reading of economic theory and his understanding of how politics worked. I would now rank Bastiat, as Robert Leroux does, as "one of the most important liberal theorists of his time" in both economic and political theory, whose work is of "prime scientific importance." Had he lived long enough to complete his major work on economic theory (*Economic Harmonies*) and the next book he had planned on economic and historical sociology, *A History of Plunder*, Bastiat might well

have been on his way to becoming the Karl Marx of the 19th-century classical liberal-movement. (But more on that in another post.)

Reading Bastiat in the original French showed me for the first time Bastiat's considerable skill as a writer in both his serious, more scholarly mode and in his witty, sarcastic, more humorous mode. One sign of a good writer is the level of sophistication of the arguments used and the style in which these arguments are expressed. In Bastiat's case I think there are at least four levels that one can identify in his writing. Firstly, there is the witty free-trade journalist who appeals to most people at first reading. This was certainly the case with me when I first read him at the age of 16. Then there is the deeply read literary satirist and parodist who is well versed in the French classics and who can drop off references to them at will (often from memory, I think). Thirdly, there is the sophisticated economist who has read widely in political economy (in four different languages: French, English, Italian, and Spanish) and who can correctly apply economic theory to the analysis of a wide range of issues. And finally, there is the passionate and committed radical liberal free-trade activist and politician whose knowledge of how politics works in the real world is both deep and without any illusions. Towards the end of his life Bastiat came to the realization that "brutal" language had to be used in order to expose exactly what is was that the state was doing when it taxed, regulated, and subsidized. Calling a spade a spade (or as the French say, *un chat un chat*, a cat a cat), Bastiat used a new, forthright vocabulary in his writing, referring to plunder, theft, filching, deception, and many other similar terms that today are considered out of place for a disinterested scholar or theorist. He agonized over the correct choice of language to use in his articles, fluctuating between satire and humor on the one hand, and the more brutal and hard-hitting style on the other. This created a certain tension in Bastiat's writings that may not be obvious at first reading, but which is there nevertheless. I have to say that, when I first read Bastiat, I only saw the first layer of Bastiat's thinking, the witty free-trade journalist. The other three layers remained unseen until I returned for a reexamination of his work when I was in my mid-40s.

In this and subsequent comments, I would like to discuss briefly an example that illustrates each of these four levels in Bastiat's writing:

1. the witty free trade journalist
2. the deeply read literary satirist and parodist
3. the sophisticated economist
4. the radical liberal free trade activist and politician

Witty Free-Trade Journalist

Bastiat had a natural talent for creating plays on words and mocking the foolishness of his adversaries. This comes across to some extent in the English translation, but much is unfortunately lost to the reader. Only after I read him in the original did I realize the extent to which word play and humor were part of Bastiat's writing style. This led to a decision in volume 3 of the *Collected Works* (the collected Economic Sophisms) to stoop to explaining his jokes and puns in the footnotes, which unfortunately might come across as pedantic and humorless to the reader, but which is essential to understanding the richness of Bastiat's writing style.

One example of his skill at punning concerns the elaborate verbal joke in "The Right Hand and the Left Hand" (ES2 16, 13 December 1846),^[49] where Bastiat mocks the idea that wealth can be created by increasing the amount of labor needed to produce a good. His amusing plan is for the government to force people to tie their right hands behind their backs and only work with their left hands. It would thus take longer for right-handed people to produce anything, which for the protectionists meant that the nation's wealth would be increased because more labor (i.e. more jobs) was required to produce things. The punning and jokes come about because Bastiat likens the resulting political struggle between the *Dextéristes* (supporters of right-hand labor) and the *Sinistristes* (supporters of left-hand labor) to the struggle in which he was actively involved between the supporters of free trade and the protectionists. The puns continue at some length as Bastiat draws a number of witty verbal parallels between *la liberté des mains droites* (freedom for right hands) and *la liberté des échanges* (free trade); the *association pour la liberté des main droites* (the free-right hand association) and the *association pour la liberté des échanges* (association for free trade); and *les libres-dextéristes* (free right-handers) and *les libre-échangistes* (free traders). On the other side of the debate the *Sinistristes* have their *association pour la défense du travail par la main gauche* (association for the defense of work with the left hand), which of course is a reference to

the protectionist *association pour la défense du travail national* (association for the defense of national employment), which was founded by the textile manufacturer Pierre Mimerel. For Bastiat, as for the modern free trader, this is all so much intellectual *gaucherie*, which of course is also part of the joke.

To be continued...

Endnotes

[49] Until LF's new translation of the *Economic Sophisms* appears I will continue to cite the old FEE edition. The translations used in my post however are from the new translation: Frédéric Bastiat, *Economic Sophisms*, trans. Arthur Goddard, introduction by Henry Hazlitt (Irvington-on-Hudson: Foundation for Economic Education, 1996). Second Series, Chapter 16: The Right Hand and the Left (A REPORT TO THE KING) <http://oll.libertyfund.org/titles/276#lf0182_head_086>.

5. David M. Hart, "The Deeply Read Literary Satirist and Parodist: to "purgandi" or to "pillandi?" [Posted: July 19, 2013]

Besides using puns and wordplay, Bastiat's humorous style is further displayed in a manner that might escape the modern or unsophisticated reader: through his parodies of the plays of Molière. Bastiat was deeply read in the French classics, such as works of Molière and La Fontaine, and he refers to them repeatedly in his writing. But what escapes the modern reader (and also sometimes the FEE translator, unfortunately) is the way Bastiat changes key words in the passages he quotes to refer to contemporary political events and to make his economic points. This would not have escaped his readers in 1847, but it is much harder for readers to spot now. An example occurs in ES2 11, "The Utopian" (17 January 1847),^[50] where Bastiat parodies a passage from Molière's play *The Misanthrope* (1666), act I, scene 2, in which Alceste, the misanthrope, tries to tell Oronte, a foolish nobleman, that his verse is poorly written and worthless. In Bastiat's ver-

sion the sovereign, presumably the king, offers the post of prime minister to someone, presumably Bastiat, and asks him what he would do to reform the country. Their conversations goes as follows:

“Let me suppose that you are a Minister and that consequently having a majority is not an obstacle for you; what would you do?”

“I would seek to establish on which side justice was to be found.”

“And then?”

“I would seek to establish on which side utility was to be found.”

“And next?”

“I would seek to find out whether they were in harmony or in conflict with one another.”

“And if you found that they were not in harmony?”

“I would say to King Philip:

Take back your portfolio.

The rhyme is not rich and the style outdated.

But do you not see that that is much better

Than the transactions whose common sense is

just a murmur,

And that honesty speaks these in its purest form?”

Here Bastiat replaces King Henry with King Louis Philippe, and Paris with *portfolio*, and the word *colifichets* (trinkets or baubles) with *transactions* and the word *Passion* with *honesty*. Only someone very familiar with Molière would be able to appreciate jokes like these.

However, the funniest and cleverest parody of Molière is Bastiat’s parody of Molière’s parody of a 17th-century oath of induction for new doctors who wish to enter the medical profession (ES2 9, “Theft by Subsidy” [January 1846].)[51] Molière wrote his parody because he hated 17th-century doctors who liked to bleed their patients; Bastiat wrote his because he hated tax-collectors and customs officials who liked to interfere with trade and, as it were, bleed commerce of its profits. At the end of Molière’s play *Le malade imaginaire* (*The Imaginary Invalid*, or *The Hypochondriac*, 1673) are a series of “Interludes,” which are mostly in Latin (or rather “dog Latin” which was a Frenchified schoolboy form of Latin). In the “Third Interlude” there is an elaborate dance of doctors and apothecaries (and would-be doctors) in which a new doctor is inducted into the medical fraternity. The oath sworn by the new doctor (Bachelierus) is as follows (with Arthur Goddard’s excellent translation in the FEE edition, p. 194):

Don tibi et concedo (I give and grant you)
 Virtutem et puiscanciam (Power and authority to)
 Medicandi, (Practice medicine)
 Purgandi, (Purge)
 Seignandi, (Bleed)
 Perçandi, (Stab)
 Taillandi, (Hack)
 Coupandi, (Slash)
 Et occidendi (and Kill)
 Impune per total terram. (With impunity
 throughout the whole world)

Bastiat does not quote Molière’s Latin but writes his own pseudo-Latin, which he does not translate into French, since he would have assumed his readers would know what he was parodying and what Bastiat’s version of it meant. In his parody Bastiat is suggesting that government officials, tax collectors, and customs officials were thieves who did more harm to the economy than good, and he believes the following would be a suitable oath to use when inducting new officials into government service:

Dono tibi et concedo [I give to you and I grant]
 Virtutem et puiscanciam [virtue and power]
 Volandi [to steal]
 Pillandi [to plunder]
 Derobandi [to filch]
 Filoutandi [to swindle]
 Et escroquandi [to defraud]
 Impune per totam istam [At will, along this
 whole]
 Viam [road]

The level of knowledge and literary sophistication needed to understand this is quite considerable, and Bastiat seems to be able to write articles like this quickly and at will during his period of greatest output and creativity between 1847 and mid-1850. All this went completely over my head when I first read it. It took plowing through several volumes of Molière for me to more fully appreciate what he had done and why.

Endnotes

[50] Frédéric Bastiat, *Economic Sophisms*, trans. Arthur Goddard, introduction by Henry Hazlitt (Irvington-on-Hudson: Foundation for Economic Education, 1996). Chapter: Second Series, Chapter 11: The Utopian.

<http://oll.libertyfund.org/titles/276#Bastiat_0182_1213>.

[51] Frédéric Bastiat, *Economic Sophisms*, trans. Arthur Goddard, introduction by Henry Hazlitt (Irvington-on-Hudson: Foundation for Economic Education, 1996). Second Series, Chapter 9: Robbery by Subsidy. <http://oll.libertyfund.org/titles/276#Bastiat_0182_1116>.

6. David M. Hart, "Bastiat on the Island of Despair, or how Robinson Crusoe helped redefine Economics" [Posted: July 21, 2013]

I think one of Bastiat's greatest theoretical breakthroughs was in pushing political economy onto an entirely new foundation, namely, that of understanding "the acting, choosing individual who has limited time and resources, and competing preferences that need to be satisfied in their order of priority." (See my brief discussion above on "(1) Methodological Individualism" and footnotes 28 and 29.) To do this he had to break away from the Smithian focus on "production" and "exchange," which had also become the orthodoxy among the French political economists of Bastiat's day. True to form, Bastiat chose to do this in a literary way by telling a story he had borrowed from Daniel Defoe's novel *The Life and Strange Adventures of Robinson Crusoe of York, Mariner* (1719). Behind the amusing stories he concocted of Crusoe having to decide between pulling ashore a ready made plank from the shipwreck or pushing it back out to sea and trimming a tree trunk himself to make the plank (thereby maximizing the amount of labor he had to expend and thus increasing his "wealth," according to the protectionists) (ES2 14, "Something Else")[52] lies a deep and original economic theory of how and why human beings act the way they do in an economy.

Modern readers of economics do not find it strange when an economist uses thought experiments to help simplify and clarify complex economic arguments. Members of the Austrian school resort to this process as a matter of course because it helps them establish the logic of human action, which every economic actor must face when making decisions about what to pro-

duce or what to exchange. Bastiat repeatedly used the fictional figure of Robinson Crusoe, shipwrecked on his Island of Despair, in his thought experiments to show the obstacles that need to be overcome in order for Crusoe to achieve some level of prosperity, the opportunity costs of using one's time on one task rather than another, the need to deprive himself of some comforts in order to accumulate some savings, and (when Friday and visitors from other islands appear on the scene) the benefits of the division of labor and the nature of comparative advantage in trade.

Bastiat is the first economist to make extensive use of Crusoe economics to create these thought experiments to explain human action. A search in the Online Library of Liberty for references to Robinson Crusoe in works written before Bastiat in 1847 finds none in the works of Adam Smith or David Ricardo, or in J.B. Say's *Treatise on Political Economy*. There are only single references scattered across the writings of economists who were writing in the 1810s, 1820s, and 1830s, such as Jeremy Bentham, Jane Marcet, Thomas Babington Macaulay, Richard Whately, and Thomas Hodgskin, and none of them uses the Robinson Crusoe analogy to express serious economic ideas. Whately (1831) firmly rejected the use of Crusoe in any discussion of the nature of political economy because in his view the study of economics was the study of exchanges and, since Crusoe did not engage in exchanges, he was "in a situation of which Political-Economy takes no cognizance." Thus Bastiat's extensive use of Crusoe economics between 1847 and 1850 may well be an original contribution to economic reasoning.

That he is able to interweave fictional stories taken from literature with profound and original insights into economic theory is another clear example of Bastiat's skill and sophistication as a writer.

Hence I conclude, in opposition to Don Boudreaux, that Bastiat is largely wasted on the young and that one needs quite a few more years under the belt before he can be fully appreciated in all his richness and complexity.

Endnotes

[52] Frédéric Bastiat, *Economic Sophisms*, trans. Arthur Goddard, introduction by Henry Hazlitt (Irvington-on-Hudson: Foundation for Economic Education, 1996). Chapter: Second Series, Chapter 14: Something Else. <http://oll.libertyfund.org/titles/276#Bastiat_0182_1652>.]

7. Donald J. Boudreaux, "Bastiat and Liberty Fund" [Posted: July 22, 2013]

David Hart's latest contribution to this discussion reveals to me a side of Bastiat that I am embarrassed – indeed, almost ashamed – to admit has largely escaped my notice. I never doubted that Bastiat was more than a brilliant popularizer of sound economics, for to convey with such clarity the volume of insight and wisdom that he conveyed requires a deep understanding of economics. But David's essay persuades me that Bastiat's depth of understanding was greater and more original than even I realized.

I blame Liberty Fund for my tardiness in appreciating Bastiat with the fullness that he deserves: LF should have published Bastiat's collected works decades ago!

Of course, I'm only joking about blaming Liberty Fund. That organization – with David – is to be commended for now making available to the world a new and definitive English-language collection of Bastiat's works, many of which were never before published.

Hopefully, that late, great Frenchman will finally be accorded the full measure of respect he deserves *and* for the full range of contributions that he made in his too-brief life.

8. Michael C. Munger, "Bastiat for Young and Old" [Posted: July 22, 2013]

The exchange between Boudreaux and Hart on whether Bastiat is “wasted on the young” is interesting. It is possible to argue that Bastiat is the ideal “gateway economist,” leading to later addictions to other scholars who make more complex and more general arguments. I have tended to that view myself.

But Hart raises the objection that “Bastiat is largely wasted on the young and that one needs quite a few more years under the belt before he can be fully appreciated in all his richness and complexity.”

It will surprise exactly no one who knows me to learn that I—having the ego though not the wisdom of Solomon—would step into this fray and say: “Cut the baby in half! I choose both.”

Ideas or memes such as “The Broken Window” or “The Candlemakers’ Petition” are extremely useful pedagogical tools. They can be understood, remembered, and used by people otherwise innocent of any organized study of economics. High school students, in fact, find Bastiat interesting and worth discussing. So Boudreaux is correct.

But Hart, as is his wont, is slippery. He doesn't exactly disagree with Boudreaux that Bastiat is useful when taught to the young. Notice that he claims that “one needs quite a few more years under the belt before [Bastiat] can be fully appreciated in all his richness and complexity.” Surely that is also right. For myself, I know I still learn something most times I read Bastiat, and I have read it many times.

This duality, where a composition can be usefully considered once but then continue to reward study decades later, is a quality seen only in great works. I feel just the same way about Beethoven.

9. Donald J. Boudreaux, "A Memo from Bastiat to Cass Sunstein" [Posted: July 22, 2013]

Adding to David Hart's list demonstrating Bastiat's impressive range and depth, here's one of my favorite passages in all of Bastiat's work. It's a passage, you will note, that serves remarkably well as a response to today's behavioral economists – nearly all of whom believe that humans' behavioral quirks disappear (or are much diminished) whenever humans exercise political power over each other.

Each party to an exchange consults, at his own risk and peril, his wants, his needs, his tastes, his desires, his means, his attitudes, his convenience – all the elements of his situation; and nowhere have we denied that in the exercise of free will there is the possibility of error, the possibility of an unreasonable or a foolish choice. The fault is imputable, not to the principle of exchange, but to the imperfection of human nature; and the remedy is to be found only in responsibility itself (that is, in freedom), since it is the source of all experience. To introduce coercion into exchange, to destroy free will on the pretext that men may make mistakes, would not improve things, unless it can be proved that the agent empowered to apply the coercion is exempt from the imperfection of our nature, is not subject to passion or error, does not belong to humanity. Is it not evident, on the contrary, that this would be tantamount not only to putting responsibility in the wrong place, but, even worse, to destroying it, at least in so far as its most precious attribute is concerned, that is, as a rewarding, retributive, experimental, corrective, and, consequently, progressive force?[53]]

How timeless is this passage?!

Endnotes

[53] Frederic Bastiat, *Economic Harmonies* (Irvington, NY: Foundation for Economic Education, 1964 [1850]), Chapter: 17: Private and Public Services, pp. 446-447. <http://oll.libertyfund.org/titles/79#Bastiat_0187_2110>.

10. David M. Hart, "What kind of an economist was Bastiat? Part 1" [Posted: July 22, 2013]

It is important to ask ourselves two questions: What kind of economist was Bastiat and how good an economist was he? I think Bastiat moved between being four different kinds of economist during his rather short life. I will discuss the first two briefly here and leave the other two to a later date.

1. the precocious self-taught economist in the provinces (1820-1844)
2. the economic journalist and lobbyist for free trade (1845-1848)
3. the economic theorist (1847-1850)
4. the adviser on economic policy to the Revolutionary government (1848-1850)

1. Precocious Self-taught Economist in the Provinces. When Bastiat burst onto the scene in late 1844 with his article "The Influence of French and English Tariffs on the Future of the Two Nations",[54] he caused a sensation among the Parisian-based political economists. He followed this up the following year with a book on *Cobden and the League*,[55] which was a combination of a history of the activities and ideas behind the Anti-Corn Law League and a plea for the creation of a similar organization in France. These two works demonstrated his command of economic theory, economic data, and current policy, but what was even more impressive to the fraternity of political economists was that he had emerged out of nowhere seemingly fully formed as a more-than-competent professional economist. As Robert Leroux has noted in a previous post, Bastiat at age 43 had already spent 20 years or so incubating in the provinces (Mugron in Les Landes) before revealing himself in Paris. This period of incubation was one of Bastiat's self-education in economics in which he read everything about economics he could get his hands on in four different languages (English, Italian, Spanish, and of course French). Having only his local book club and one close friend (Felix Coudroy) to talk to meant that Bastiat's achievements were even more remarkable. He had no mentor, no other professionals to discuss his ideas with, and no feedback from critics or supporters of his ideas. He wrote the occasional piece for local newspapers but

nothing of real significance until his essay on French and English tariffs in 1844.

A relationship with other economists did not really start until Bastiat moved to Paris sometime in early 1845. We know that in May 1845 a dinner was held in his honor, organized by the Political Economy Society, to welcome him to Paris. It was here that he met many of the leading political economists for the first time and received considerable support from them because of their high regard for his book on Cobden and the League. Bastiat was invited to join the Political Economy Society, and there is a hard-to-confirm suggestion that he was even asked to edit the Society's journal, the *Journal des économistes*, an offer Bastiat declined because he had committed himself to starting and working full-time on a French free-trade association modeled on the English Anti-Corn Law League. During 1845 Bastiat began writing a steady stream of articles that appeared in the *JDE* on topics dealing with tariff policy, the wine trade, and the first of what were to become the “economic sophisms.” [56]

2. Economic Journalist and Lobbyist for Free Trade. Bastiat's dream of a free-trade association came true in early 1846 when the Association pour la liberté des échanges (Free Trade Association) was founded in February 1846 in Bordeaux. Bastiat was made the secretary of the board and appointed editor of the Association's journal, *Le Libre-Échange*, which he largely wrote himself and which appeared in 72 issues between 29 November 1846 and its closure on 16 April 1848, after the outbreak of Revolution. I would categorize the period from early 1845 to the beginning of 1848 as Bastiat's period of “economic journalism,” when he showed his growing talent as a writer, critic of government tariff policy, and advocate for free trade in both print and the lecture hall. This period produced the two series of *Economic Sophisms*, the first of which appeared in early 1846, the second in January 1848. While working on Liberty Fund's volume 3 of his *Collected Works* (the complete *Economic Sophisms*), I have been able to assess his work as an economist, since Bastiat makes constant reference to the French government's regulation of the economy, the level of taxation and expenditure, and the consequences of these policies for the French economy. I checked all his claims and statements about what the government taxed and spent against the published budget papers for 1848 and 1849 in the annual publication *Annuaire de l'économie*

politique et de la statistique. [57] In all the fact checking I did, I only found one error in the economic data Bastiat cited. My conclusion is that Bastiat was meticulous in his use of economic data. The only “error” on his part I could find concerned the subsidy the French government began paying to encourage the colonization of Algeria. He may have had data I was not able to find, since his per capita figures of the subsidies are different from what I could find. But not a bad record!

Endnotes

[54] “De l'influence des tarifs français et anglais sur l'avenir des deux peuples,” *JDE* Octobre 1844, T. IX, pp. 244-271. This essay will appear in vol. 6 of LF's edition of Bastiat's *CW*: “The Struggle Against Protectionism: The English and French Free-Trade Movements.”

[55] *Cobden et la Ligue, ou l'agitation anglaise pour la liberté du commerce* (Paris: Guillaumin, 1845). Bastiat's lengthy introduction to this book, which consists mainly of translations of Anti-Corn Law League material, will appear in vol. 6 of LF's edition of Bastiat's *CW*: “The Struggle Against Protectionism: The English and French Free-Trade Movements”.

[56] For a list of all the articles Bastiat wrote for the *JDE* (some 37) see this page at my personal website <davidmhart.com/liberty/FrenchClassicalLiberals/Bastiat/JDE/Bastiat_JDE.html>.

[57] See Alphonse Courtois, “Le budget de 1848” in the *Annuaire de l'économie politique et de la statistique pour 1848. 5e Année* (Guillaumin, 1848), pp. 29-51.; A. Bernard, “Résumé des Budgets de la France de 1814 à 1847” in the *Annuaire de l'économie politique et de la statistique pour 1849. 6e Année* (Guillaumin, 1848), pp. 67-76; and Alphonse Courtois, “Le budget de 1849” in *Annuaire de l'économie politique et de la statistique pour 1850 par MM. Joseph Garnier. 7e année* (Paris: Guillaumin, 1850), pp. 18-28.

11. David M. Hart, "What kind of an economist was Bastiat? Part 2" [Posted: July 23, 2013]

In a previous comment I argued that Bastiat engaged in four different kinds of economic activity during his rather short life. I discussed the first two then and I will discuss the last two here:

1. the precocious self-taught economist in the provinces (1820-1844)
2. the economic journalist and lobbyist for free trade (1845-1848)
3. the economic theorist (1847-1850)
4. the adviser on economic policy to the Revolutionary government (1848-1850)

3. **Economic Theorist.** Sometime during late 1846 and early 1847, Bastiat must have come to the realization that he might have something new and interesting to say about economic theory. There were some aspects of the classical orthodoxy that he was critical of (Malthusianism, theory of rent, theory of value), as we know from his later writings. Thus there begins in mid-1847 a parallel course of activity to that of his journalism, namely, that of lecturing on economic theory and writing a theoretical treatise. In July Bastiat began lecturing on political economy at the School of Law in Paris. The title was the "Harmony of Social Laws" and was probably an early version of what would later become the *Economic Harmonies*. We have a draft of a Foreword that Bastiat wrote for this future economic treatise, which the editor Paillottet dates to late 1847.[58] His work on economic theory was constantly interrupted beginning in early 1848 with the outbreak of the February Revolution, his election to the Constituent and then the National Assembly, his work on the Finance Committee of the Chamber, and then of course his declining health. All we know about where his theoretical thinking was taking him is a few articles on theoretical matters published in the *JDE*; reports of discussions about his work in meetings of the Political Economy Society (the members of which were largely hostile to Bastiat's theoretical innovations); the first half of *Economic Harmonies*, which appeared in early 1850 a few months before he died; and what Paillottet and Fontenay (as the "Société des amis de Bastiat") published in an expanded edition from his remaining

notes and papers in 1851. I have already stated in a previous post what I think Bastiat's original contributions to economic theory are, so I won't repeat myself here

4. **Adviser on Economic Policy.** Bastiat also became involved in what I think is a fourth kind of economic activity, that of an economic policy adviser to the government of which he was a member. Because of his economic expertise, after he was elected to the Constituent Assembly in April 1848 he was appointed vice president of the Chamber's Finance Committee, a position to which he was reelected many times. I found in the printed records of the National Assembly summaries of reports Bastiat gave on behalf of the Committee on the state of the government's finances.[59] He was constantly hectoring officials about declining tax revenue because of the impact of the turmoil of the revolution on economic activity, the need to cut spending and thus taxes, and the dangers of increasing expenditure on the new programs being advocated by the socialists, especially the National Workshops. These were government-funded make-work programs designed to provide subsidized jobs to the unemployed and were a favorite of the newly elected socialist deputies in the Chamber. Bastiat predicted the cost of the programs would explode and eventually collapse. Indeed they did in June 1848, sparking rioting in the streets of Paris (the "June Days"), which was bloodily repressed by the army. Bastiat's role as VP of the Finance Committee would be a wonderful topic for a Ph.D. The official records of this Committee need to be discovered and studied so we can form a better picture of Bastiat's activities in this important body. We do not know how effective he was in this role or what options he had in influencing government policy.

Thus my assessment of what kind of economist Bastiat was and how good he was can be summarized as follows:

1. Precocious Self-taught Economist in the Provinces. I think it is amazing that Bastiat was able to become such a well-read, knowledgeable, and wise economist through a process of self-education over 20 years all alone in a remote south west province of France.
2. Economic Journalist and Lobbyist for Free Trade. I think everybody agrees (even Schumpeter) that Bastiat became one of the best economic journalists

the world has ever seen. I also think that the full scope of his talents in this area have yet to be fully appreciated.

3. Economic Theorist. Bastiat's life was cruelly shortened by cancer [possibly some form of throat cancer] before he could show the world his full talents as an economic theorist.[60] He left us half a finished book, some articles, and some incomplete notes and papers, which friends compiled into the second half of *Economic Harmonies*. Bastiat was struggling to redefine the nature of economic theory and to break away from some of the errors of the classical school of political economy, and he even foresaw some of the innovations of the Marginal Revolution of the 1870s. I would conclude that as an economic theorist Bastiat had great promise and some startlingly original insights, but he died before he could bring it all together into a coherent whole.
4. Adviser on Economic Policy. I think this is the aspect of Bastiat's contribution to economics that we know least about and that needs much more research before we can make a final assessment of him as an economic policy adviser and politician.

Endnotes

[58] *CW* vol. 1, "4. Draft Preface for the Harmonies." <http://oll.libertyfund.org/titles/2393#lf1573-01_label_689>.

[59] See Table analytique par ordre alphabétique de matières et de noms de personnes du Compte rendu des séances de l'Assemblée nationale constituante (4 mai 1848 - 27 mai 1849) et des documents imprimés par son ordre. Rédigée aux Archives de l'Assemblée nationale (Paris: Henri et Charles Noblet, Imprimeurs de l'Assemblée nationale, 1850); and Table analytique par ordre alphabétique de matières et de noms de personnes du Compte rendu des séances de l'Assemblée nationale législative (28 mai 1849 - 2 décembre 1851) et des documents imprimés par son ordre. Rédigée aux Archives du Corps législatifs (Paris: Henri et Charles Noblet, Imprimeurs de l'Assemblée nationale, 1852).

[60] Traditionally it has been thought that tuberculosis killed Bastiat, as it did so many people at this time. However, a closer reading of his correspondence, especially in the last few months of his life, shows that Bas-

tiat revealed to his closest friends some of the symptoms he displayed, and these were definitely not those of tuberculosis. It is my hunch that what he was describing was cancer of the throat or the larynx. Some passages from his correspondence that describe the suffering he endured at this time can be found here: "Selected Quotations from Bastiat's Collected Works vol. 1." In particular, 191. Letter to Louise Cheuvreux, Lyons, 14 September 1850: "Here I am, the plaything of a tiny pimple growing in my larynx." And 203. Letter to Félix Coudroy, Rome, 11 November 1850: "I would ask for one thing only, and that is to be relieved of this piercing pain in the larynx; this constant suffering distresses me. Meals are genuine torture for me. Speaking, drinking, eating, swallowing saliva, and coughing are all painful operations. A stroll on foot tires me and an outing in a carriage irritates my throat; I cannot work nor even read seriously. You see the state to which I am reduced. Truly, I will soon be just a corpse that has retained the faculty of suffering. I hope that the treatment that I have decided to undergo, the remedies I am given, and the gentleness of the climate will improve my deplorable situation soon."

12. Donald J. Boudreaux , "Bastiat's Isolation" [July 24, 2013]

David Hart writes: "as an economic theorist Bastiat had great promise and some startlingly original insights, but he died before he could bring it all together into a coherent whole." I agree.

And David is amazed – as am I – that Bastiat learned economics largely in isolation. Bastiat was never, of course, a member of an economics faculty, and he didn't move to Paris from his remote province until he was in his mid-40s.

But Bastiat did read ... and read ... and read. Obviously he also thought and pondered, with great seriousness, throughout all this reading.

Bastiat's path to economic insights is not recommended. But perhaps it has some benefits – benefits that, given his obvious natural genius, Bastiat was able to enlarge to such a degree that they swamped the significant costs of that path.

Bastiat could think for himself, judge for himself, without pressure from official Experts or Professors to adapt his thinking so that it conformed better to conventional wisdom.

At the risk of blaspheming the author of “What Is Seen and What Is Not Seen,” it is at least worth asking if Bastiat would have ever become Bastiat had he been born 100 years later and served on a mid-20th-century economics faculty in the United States or western Europe. Were Bastiat's birth year 1901 (rather than 1801) and were he a son of Paris or London or New York (rather than of a small burgh in southwestern France), might this genius of a man have found himself teaching and researching at the likes of Cambridge or M.I.T. and, as a result, absorbing unawares the scientific presumptions that infected economics then and there (and that still, in 2013, infect too much economics everywhere)? Might Fred Bastiat, professor of economics at M.I.T., have turned his genius to justifying or even expanding upon Keynesianism?

Even if an imaginary Fred Bastiat of 20th-century America had somehow come into this world with every predisposition possessed by the actual Bastiat, would the 20th-century version have been able to resist the peer pressure to treat economics as if it were a branch of physics? Would the hypothetical 20th-century version of Bastiat have seen as clearly as the real Bastiat the flaws of Keynesian-style free-lunch thinking? Might the 20th-century Bastiat be known to us today as history's greatest popularizer of Keynesian notions?

Economics, I'm certain, is no different from any other discipline or profession. To climb to the top and to win the applause of colleagues, a scholar's work cannot be *too* iconoclastic. A scholar must be part of the ongoing professional conversation. Therefore, even if a scholar has something earth-shatteringly brilliant to say, if that something is too far distant from the mainline of the professional conversation, it is unlikely to be heard and even less likely to be understood and appreciated. That scholar will sound like a kook to his or her peers even if in truth he or she is a pioneering genius.

I do not say that a 20th-century Prof. Fred Bastiat would really have been fundamentally different from the 19th-century's Frédéric Bastiat (save to point out that the former would likely not have died of throat

cancer at so young an age). But we should recognize this possibility.

Perhaps we owe to Bastiat's isolation a great deal of the thanks due to those forces that enabled this remarkable man to produce such a brilliant stream of not only powerful pamphleteering but also pioneering scholarship.

13. Michael C. Munger, "The Politicians I Actually Know" [Posted: July 24, 2013]

Since several people have posted their favorite, or “one of their favorites,” passages from Bastiat, here is (one of) mine.

It is most useful when one of my colleagues or interlocutors poses the question, “Aren't you worried that a decentralized or “market” system will reward only the rich? A state system, by contrast, will tax the rich and ensure that the rewards are distributed to the poor and powerless.”

My first response is what some friends now refer to as the “Munger Test.” When you say “the State,” as in the “The State should do X,” make a substitution. Take out “State,” and insert “Politicians I actually know.” So, “Politicians I actually know should do X.” See if you still believe it. It's a much harder sell, given the corruption of politics, the myopia induced by the next election, and the dominance of interest groups.

Then, hit them with this, from Bastiat:

When under the pretext of fraternity, the legal code imposes mutual sacrifices on the citizens, human nature is not thereby abrogated. Everyone will then direct his efforts toward contributing little to, and taking much from, the common fund of sacrifices. Now, is it the most unfortunate who gains from this struggle? Certainly not, but rather the most influential and calculating. [69]

If you set up a contest for benefits, there is absolutely no reason to expect the poor and the weak to be the ones who will win the contest. To the contrary, the result will be the sort of rent-fest seen in the recent farm bill. The portion “for the poor,” the food stamp program, was taken out! The portion for the rich and powerful, the farm subsidies, was passed easily.

If you care for the poor, “politicians I actually know” are the last place one would look for succor and aid. Bastiat recognized the basic logic for why this is true: Politicians are not (always) bad people. Rather, the system rewards power, not need.

Endnotes

[69] Frédéric Bastiat, *Selected Essays on Political Economy*, trans. Seymour Cain, ed. George B. de Huszar, introduction by F.A. Hayek (Irvington-on-Hudson: Foundation for Economic Education, 1995). Chapter: 4: Justice and Fraternity. <http://oll.libertyfund.org/titles/956#Bastiat_0181_752>.

14. Robert Leroux, "Bastiat's Style" [Posted: July 24, 2013]

David Hart and Donald Boudreaux remind us that Bastiat was a superb writer. For example, even in his most theoretical works, Bastiat dreams up personalities and has them dialogue with each other in order to describe situations and places. It is no accident that Gustave Flaubert was one of his greatest admirers. In a letter of 1852 to Louise Colet, Flaubert wrote: “As bedtime reading I am going through some little tomes on political economy by Bastiat. It is very good reading.”[70] And in 1871 he wrote to George Sand: “In three years every Frenchman can know how to read. Do you think that we shall be the better off? Imagine on the other hand that in each commune there was one bourgeois, only one, who had read Bastiat, and that this bourgeois was respected, things would change.”[71]

I would like to focus on two things about Bastiat's style. As we know, his dialogues often revolve around the imagined personality of “Jacques Bonhomme” (John Goodfellow), a carpenter, portrayed as a stout worker, an exploited consumer, an “average citizen” who speaks sense. In the course of a paragraph or a page, Jacques poses some simple, direct questions. For example: “People, how is the state going to provide you a living, when it is you who make a living for the state?... People, be smarter, do like the American Re-

publicans: give the state what is strictly necessary, and keep the rest for yourself. Have it do away with all useless functions, have it cut back on big handouts, abolish privileges, monopolies and restrictions, and simplify bureaucratic red tape.”[72]

But there is another, rather surprising – and interesting – aspect to Bastiat's particular style: He liked to write petitions addressed to imaginary recipients. His works contain dozens of such petitions. In one very amusing instance, he begs the King to create more employment by requiring workers henceforth to use only their left hand. “Once the workers in every branch of industry are restricted to the use of their left hands alone, imagine, Sire, the immense number of people that will be needed to meet the present demand for consumers' goods, assuming that it remains constant, as we always do when we compare different systems of production. So prodigious a demand for manual labor cannot fail to bring about a considerable rise in wages, and pauperism will disappear from the country as if by magic.”[73]

Bastiat's most famous petition (see Michael Munger's comment), however, is the one he wrote on behalf of the candle merchants.

We are suffering from the ruinous competition of a foreign rival who apparently works under conditions so far superior to our own for the production of light that he is *flooding the domestic market* with it at an incredibly low price; for the moment he appears, our sales cease, all the consumers turn to him, and a branch of French industry whose ramifications are innumerable is all at once reduced to complete stagnation. This rival, which is none other than the sun, is waging war on us so mercilessly that we suspect he is being stirred up against us by perfidious Albion (excellent diplomacy nowadays!), particularly because he has for that haughty island a respect that he does not show for us. We ask you to be so good as to pass a law requiring the closing of all windows, dormers, skylights, inside and outside shutters, curtains, casements, bull's-eyes, deadlights, and blinds – in short, all openings, holes, chinks, and fissures through which the light of the sun is wont to enter houses, to the detriment of the fair industries with which, we are proud to say, we have endowed the country, a country that cannot, without betraying ingratitude, abandon us today to so unequal a combat.[74]

Yet Bastiat's style, with its elegance, its extreme readability, and its occasional flashes of poetry, must not blind us to the essential fact that his analyses are often highly rigorous, and for the most part perfectly scientific.

We may legitimately ask why Bastiat usually chose to express himself in a style quite foreign to most economists. Why did he employ such humor? Why did he make use of irony, sometimes to excess? The most likely answer is that he quickly became convinced that his ideas had little chance of prospering in an intellectual setting such as that of France, which was particularly hostile to liberalism (especially after 1848), and that his analysis and his advice were condemned in advance to be ignored. Hence his impatience, which he was not always successful in hiding, and the way he kept hammering away at his message. Indeed there are many texts that bear witness to this impatience. In *Economic Harmonies*, for example, we read: "I feel a real embarrassment in insisting on primary truths so clear that they seem childish." [75]

And in *Economic Sophisms*:

People are finding my little book of *Sophisms* too theoretical, scientific, and metaphysical. Very well. Let us try the effect of a trivial, banal, and, if need be, a ruder style of writing. Convinced that the public has been *duped* into accepting the policy of protectionism, I have tried to prove it by an appeal to reason. But the public prefers to be shouted at. Therefore, let us vociferate.... Frankly, dear public, you *are being robbed*. This may be put crudely, but at least it is clear." [76]

In the end, however, there is a price to pay for using such direct and trenchant language, and Bastiat himself was aware of this. "What annoys me a little," he wrote to his friend Félix Coudroy, "is to see that the three or four pleasantries that I have slipped into this volume have been highly successful while the serious part has been widely overlooked." [77]

Endnotes

[70] G. Flaubert, *Correspondence*, vol. II (Saint-Genouph: Nizet, 2001), p. 14.

[71] *Ibid.*, pp. 287-8.

[72] "Petites affiches de Jacques Bonhomme" (1848), in F. Bastiat, *Œuvres complètes*, II, pp. 459-60. A translation of this will appear as "The Immediate Relief of the People" in his *Collected Works*, vol. 3 "Economic Sophisms. It was originally published in Bastiat and Molinari's revolutionary magazine *La République française*, 12 March 1848.

[73] F. Bastiat, "The Right Hand and the Left" (1848), in *Economic Sophisms*, Series 2 (FEE edition), p. 259. <http://oll.libertyfund.org/titles/276#Bastiat_0182_1841>.

[74] F. Bastiat, "Petition from the Manufacturers of Candles, Tapers, Lanterns, Candlesticks, Street Lamps, Snuffers, and Extinguishers and from the Producers of Oil, Tallow, Resin, Alcohol and Generally of Everything Connected with Lighting," in *Economic Sophisms* (1845), Series 1 (FEE edition), pp. 56-7. <http://oll.libertyfund.org/titles/276#Bastiat_0182_271>.

[75] F. Bastiat, *Economic Harmonies* (1850) (FEE edition), p. 49. Chapter 3 "Man's Wants" <http://oll.libertyfund.org/titles/79#Bastiat_0187_371>.

[76] F. Bastiat, *Economic Sophisms* (1845), Series 1 (FEE edition), op. cit., p. 189. ES2 9 "Robbery by Subsidy" <http://oll.libertyfund.org/titles/276#Bastiat_0182_1076>.

[77] F. Bastiat, Letter to Coudroy, 24 May 1846, in Frédéric Bastiat, *The Collected Works of Frédéric Bastiat. Vol. 1: The Man and the Statesman: The Correspondence and Articles on Politics* [2011], p. 72. <http://oll.libertyfund.org/titles/2393#Bastiat_1573-01_528>.

15. David M. Hart, “To Do Nothing, or Not to Do Nothing: That Is the Question.” [Posted: July 25, 2013]

I would like to return to some comments voiced by both Robert Leroux and Mike Munger, namely that Bastiat had “a theory about doing nothing.” I can see two aspects to the matter: The first is that in regard to the state Bastiat had “a theory about doing *practically* nothing”; the second is how he conducted himself in his own affairs, where he had a theory of doing as much as he could even when it affected his rapidly failing health.

Like the good limited-state classical-liberal that he was, he wanted the state to essentially do nothing beyond protecting property rights. He did not go down the same path that Molinari was treading in 1849 with his views that even police and national defense services could be provided competitively by the free market. [61] However, on nearly every other matter he did have a theory of doing nothing that should guide how the state should conduct itself. In French parlance of course it was termed *laissez-faire* by Physiocrats like Gournay, and Bastiat used this phrase along with a number of variants to make his point clear. [62] For example, he used the phrases *laissez-les faire* (let them do these things), *laissez-le entrer* (let it freely enter), *laissez-passer* (leave them free to move about), and *laissez agir les lois* (allow the laws to operate freely). In the opening chapter of *Economic Harmonies*, “Natural and Artificial Order,” he categorically states that “the doctrine of laissez faire, laissez passer, [is] the absolute formula of political economy.” [63] However, in the face of criticism by socialists, Bastiat made a clear distinction between the laissez-faire operation of the law (*laissez agir les lois*) and the laissez-faire behavior of individual men (*laissez faire les hommes*) who might violate, or *trouber*, the law.

In Chapter XX of the unfinished *Economic Harmonies* a sentence breaks off and the editor Paillottet inserts a fragment of Bastiat’s manuscript in a footnote in which Bastiat explains why he thinks laissez faire is the best policy for a government to follow:

[In the text proper] I say: Laissez faire; in other words: Respect freedom, human initiative. [1]

[the footnote reads] [1] We therefore believe in liberty because we believe in the harmony of the

universe, that is, in God. Proclaiming in the name of faith, formulating in the name of science, the divine laws, flexible and vital, of our dynamic moral order, we utterly reject the narrow, unwieldy, and static institutions that some men in their blindness would heedlessly introduce into this admirable mechanism. It would be absurd for an atheist to say: Laissez faire! Leave it to chance! But we, who are believers, have the right to cry: Laissez passer! Let God's order and justice prevail! Let human initiative, the marvelous and un-failing transmitter of all man's motive power, function freely! And freedom, thus understood, is no longer an anarchistic deification of individualism; what we worship, above and beyond man's activity, is God directing all. [64]

Thus one meaning of his “theory of doing nothing” is for the state to step back and allow the harmonious nature of God’s universe and its natural laws to unfold without artificial regulation by men. Unfortunately the harmonious operation natural law can be disrupted or “disturbed” (to use one of Bastiat’s expressions) when individual men are ignorant of the ways in which natural law operates (as in ignorance of how the economy functions) or choose to prevent its functioning by using force or coercion to gain benefits for themselves at the expense of the liberty and property of others (by means of plunder). The role of the state according to Bastiat is to do nothing to hinder the former but as much as is necessary to prevent the latter. In Chapter VIII “Private Property and Common Wealth” he states:

When we say, laissez faire, obviously we mean: Allow these laws to operate; and not: Allow the operation of these laws to be interfered with. According as these laws are conformed to or violated, good or evil is produced. In other words, men’s interests are harmonious, provided every man remains within his rights, provided services are exchanged freely, voluntarily, for services. But does this mean that we are unaware of the perpetual struggle between the wrong and the right? Does this mean that we do not see, or that we approve, the efforts made in all past ages, and still made today, to upset, by force or by fraud, the natural equivalence of services? These are the very things that we reject as breaches of the social laws of Providence, as attacks against the principle of property; for, in our eyes, free exchange of services, justice, property, liberty, security, are all

merely different aspects of the same basic concept.[65]

And further in Chapter XVIII “Disturbing Factors”:

Do not accuse us, therefore, when we say laissez faire; for we do not mean by this to let men do as they will, even when they do wrong. We mean: Study the laws of Providence, marvel at them, and allow them to operate. Remove the obstacles that they meet in the form of abuses arising from violence and fraud, and you will discern among mankind this double mark of progress: greater equality and better living conditions.[66]

Bastiat’s actual list of things he thought the state should do has not been properly explored, and there are some oddities which need explaining. Firstly, with regard to tariffs Bastiat, like Cobden, was opposed to any “protectionist tariff” designed to favor domestic industry. He believed tariffs should be levied purely for revenue-raising since, in the absence of income taxes, excise taxes on things like alcohol and tariffs on traded goods were some of the few ways the state could raise revenue. Bastiat believed that a revenue tariff should be set at 5 percent and no more. Yet in the Introduction to *ESI* (1846) Bastiat seems to go beyond this low level when he suggests a new customs law which would levy 5 percent ad valorem on “objects of prime necessity”; 10 percent on “objects of normal usefulness,” and 15-20 percent on “luxury objects.” Unfortunately he does not define what he means by “normal” or “luxury.”[67] On the other hand, in my favorite economic sophism, *ES2 XI*, “The Utopian” (17 January 1847), Bastiat (in the voice of “The Utopian” politician) wants to entirely abolish the national army and conscription and replace it with locally based and financed voluntary militias. He promises: “I shall demobilize the army.”[68] This is a rather radical thing for a mid-19th century classical liberal to advocate; so once again, would the real Bastiat please stand up?

I would like to conclude with some remarks about the second aspect of Bastiat’s “do nothing” policy. It did not seem to apply to the way he conducted himself in his own affairs. Here he seems to have had “a theory of doing everything,” even if it meant adversely affecting his rapidly failing health. The range of activities he undertook to help bring about a freer society is quite remarkable given his relatively short life. His theory of “doing things” was not a limited Hayekian theory of

only influencing the opinion molders in the academics, but stretched from the narrowly local to the broadly international, and encompassed the intellectual, the journalistic, the academic, as well as the political realms. From his 20s to his death at the age of 50, Bastiat did the following to promote liberty:

1. In the 1820s he was active in his local book club, where he discussed intellectual matters with his neighbors and friends.
2. He participated in a demonstration by young liberals in 1824 in support of Jacques Laffite, who becomes a minister in King Louis Philippe's government after 1830.
3. He participated in the Revolution in August 1830 to overthrow the Bourbon monarchy by helping to persuade the officers in the strategically located Bayonne garrison to support the revolution by singing songs by Béranger and drinking red wine with them late one night.
4. He became active in politics by writing pamphlets and standing for election during the 1830s (he was elected to the General Council of Les Landes (a government advisory body) in November 1833.
5. He published many articles and letters to the editor in several local newspapers on economic and agricultural matters.
6. He became active in the French Free Trade Association in the mid-1840s by lobbying the Chamber of Deputies, editing and writing their journal, and public speaking.
7. As a budding academic economist he wrote many articles for the *JDE*, lectured on economics at the School of Law in 1847, and was an active, if somewhat dissident, participant in the monthly discussion of the Political Economy Society in Paris.
8. He was a revolutionary activist for the second time handing out leaflets on the street corners of Paris and dragging the injured from the barricades in February and June 1848.
9. He was elected to the National Assembly and appointed VP of the Finance Committee.
10. He was a speaker at the International Peace Congress held in Paris in 1849

So we can see that Bastiat kept trying many different means to achieve his end of a freer society: He participated in intellectual discussions of all kinds; he wrote articles for newspapers and letters to the editor; he participated in political demonstrations and even

revolutions; he stood for election and was occasionally successful; he was a lobbyist and journalist for a medium-sized single-issue group; he was an academic lecturer and researcher; and he was active in the European-wide peace movement. Thus one might sum up Bastiat's philosophy as follows: "if you are a State, then do nothing ("ne faites rien"); but, if you are an individual do everything ("faites tous"), or as much as time, energy, and the principles of natural law permit," which in Bastiat's case was rather a lot.

The question all this activity (or inactivity) raises, then as now, is what is the most effective strategy for bringing lasting change in a direction favorable to liberty? Is Bastiat a useful model for us to follow? What can we learn from his success and failures? If you will grant me a churlish moment, in retrospect, might it not have been better for the discipline of political economy if Bastiat had spent less time on political matters and more time in finishing his *Economic Harmonies*, which was so pregnant with Austrian and Public Choice insights years ahead of its time. Or perhaps there would never have been even a half-finished *Economic Harmonies* if Bastiat had not started down the path of journalism, lobbying, and participation in revolutionary politics. Maybe in this case you can't have the one without the other.

Endnotes

[61] See Gustave de Molinari, "The 11th Evening" in *Les Soirées de la rue Saint-Lazare* (draft translation by LF) <<http://oll.libertyfund.org/pages/molinari-revised-chapters-1-3-6-11>>.

[62] Passages in *Economic Harmonies* where the word *laissez* is used:

<http://oll.libertyfund.org/titles/79#Bastiat_0187_145>

<http://oll.libertyfund.org/titles/79#Bastiat_0187_1035>

<http://oll.libertyfund.org/titles/79#Bastiat_0187_1035>

http://oll.libertyfund.org/titles/79#Bastiat_0187_1037>

<http://oll.libertyfund.org/titles/79#Bastiat_0187_2216>

<http://oll.libertyfund.org/titles/79#Bastiat_0187_2220>

<http://oll.libertyfund.org/titles/79#Bastiat_0187_2221>

<http://oll.libertyfund.org/titles/79#Bastiat_0187_2299>

<http://oll.libertyfund.org/titles/79#Bastiat_0187_2300>

<http://oll.libertyfund.org/titles/79#Bastiat_0187_2312>

There are more occurrences in the French version as several instances of the word *laissez* were translated as "permit" or "allow."

[63] Bastiat, Chapter 1 "Natural and Artificial Order," *Economic Harmonies* (FEE ed.) <http://oll.libertyfund.org/titles/79#Bastiat_0187_145>.

[64] Bastiat, Chapter 20 "Responsibility," *Economic Harmonies* (FEE ed.) <http://oll.libertyfund.org/titles/79#Bastiat_0187_2300>.

[65] Bastiat, Chapter 8 "Private Property and Common Wealth," *Economic Harmonies* (FEE ed.) <http://oll.libertyfund.org/titles/79#Bastiat_0187_1035>.

[66] Bastiat, Chapter 18 "Disturbing Factors," *Economic Harmonies* (FEE ed.) <http://oll.libertyfund.org/titles/79#Bastiat_0187_2220>.

[67] Bastiat, Introduction to *ESI* (1846) (FEE ed.) <http://oll.libertyfund.org/titles/276#Bastiat_0182_50>.

[68] Bastiat, *ES2* XI. "The Utopian" (17 January 1847), (FEE ed.) <http://oll.libertyfund.org/titles/276#Bastiat_0182_1323>.

16. Donald J. Boudreaux, "Bastiat: The Anti-Keynes in More Ways than One" [Posted: July 26, 2013]

Someone – the late Harry Johnson, perhaps? – attributed part of the success of Keynes's *General Theory* to its dense, forbidding prose and its poor organization. Having to toil and sweat to decipher Keynes's meaning gave clever young professors in the middle of the last century a sense of achievement that they would not have enjoyed had Keynes's prose been clear and his text sensibly organized.

And, in addition perhaps, opaque terms and rococo jargon are mistaken for signals that the writer is unusually profound.

Bastiat was Keynes's opposite in more ways than one. Not only was Bastiat's substantive economics poles apart from that of Keynes – and not only is Keynes, unlike the obscure Bastiat, still celebrated as one of history's greatest and most influential economists – but Bastiat's prose is always crystal clear, entertaining, and accessible. As in the past, no reader must struggle to grasp Bastiat's meaning. But even professional economists must tussle with and tug at Keynes's prose in *The General Theory* to uncover its meaning.

Reading Bastiat's works and grasping his meaning gives no scholar any sense of accomplishment. It's all so easy and enjoyable! The typical scholar's conclusion, therefore, is that Bastiat was an intellectual lightweight. That conclusion, of course, is wholly mistaken.

17. David M. Hart, "What Might Bastiat Have Achieved If He Had Lived as Long as Karl Marx? Some Counterfactual Thoughts, Some What Might Have Beens, and Some Regrets" [Posted: July 26, 2013]

Robert Leroux is right to say that "the body of work that Bastiat bequeathed to posterity is of prime scientific importance." This only makes his untimely death, which prevented him from seeing at least two major projects through to completion, such a blow to the classical-liberal tradition. We have here a large

body of work (six 500-page volumes in Liberty Fund's edition of his *Collected Works*), which he produced in an extraordinarily short time, between 1844 and 1850, and potentially another body of work he might have produced in the same vein had he lived longer. We can only get glimpses of what the latter might have been from sketches and drafts and hearsay from his friends. The danger of course is to read too much into these promising leads and possibilities and to exaggerate Bastiat's true contribution to economics and social theory. I don't think this is the case, but we must be on guard to avoid this.

An intriguing counterfactual thought experiment is to ask oneself what Bastiat might have accomplished if he had lived as long as Karl Marx (1818-1883 – that is, 65 years), who was incidentally born the year before Bastiat's close friend and colleague Gustave de Molinari (1819-1912). The two writers had quite a lot in common, being accomplished journalists and economic theorists, and having a strong interest in class and the sociology of the state. Marx finished volume one of his magnum opus, *Das Capital*, in 1867 when he was 49, the same age as Bastiat when he died. If Bastiat had been in good health, had not been distracted by the 1848 Revolution, and had lived another 16 years like Marx (and died in 1866 not 1850), perhaps he might have finished *Economic Harmonies* in 1851 or 1852, with perhaps a second volume to come a couple of years later. If he had thought through his proto-Austrian insights into subjective value theory, the notion of "the exchange of service for service," and his ideas on rent, perhaps he might have precipitated the marginal revolution 20 years ahead of time, thus setting classical political economy on an entirely new trajectory at a time when it had its most influence.

Perhaps also, he might have had time to finish his *History of Plunder* (possibly in 1860, when the free-trade treaty with Britain was signed by Chevalier and Cobden), which, had it continued to show the same depth of economic analysis and historical awareness of his other writings, might have been one of the seminal social theory texts of the 19th century. In many respects Molinari took up Bastiat's work on plunder later in life, during the 1880s (when Molinari was in his 60s), with a series of books of historical sociology: *L'évolution économique du XIXe siècle: théorie du progrès* (1880) and *L'évolution politique et la révolution* (1884), which were very much inspired by Bastiat's theory of plunder, even if he

lacked the wit and literary sophistication of his mentor. [78]

It is hard to know what Bastiat would have done after Napoleon III came to power and declared himself emperor in December 1852. Radical liberals like Bastiat were not welcome in Paris during the 1850s, and Molinari, for example, felt obliged to leave and take up residence in Brussels, where he held an academic post and continued his journalism with his magazine, *L'Économiste belge* (1855-68). Thus Bastiat would have faced two choices: either to stay in Paris or go into exile. If he had decided to stay in Paris, Bastiat might have been able to retain his seat in the Chamber of Deputies and stay in politics, forming a radical liberal rump of delegates opposed to the regime. Or more likely in my view, he might have taken up the earlier offer to edit the *Journal des Économistes*, where he might have had a significant influence on the direction of French political economy. Alternatively, he might have felt the same way towards the régime as Molinari did and “retired” to his beloved Les Landes in the south of France. There he might have found the time to work on completing *Economic Harmonies* and *History of Plunder*.

Of course, we will never know what might have happened, but I think it is interesting to speculate. In many respects Bastiat had a much broader experience of politics than Marx (having had real experience working in government in the Chamber of Deputies), and his understanding of economics was much deeper and had the significant advantage of being more correct than Marx’s. Thus, given his understanding of how political power and free markets really operated, he had, I think, the potential to have become “the Karl Marx of the classical-liberal movement,” which might have had profound implications for the course of history in the late 19th and early 20th centuries.

Excuse me if I engage in some “Utopian dreaming” about what might have been had Bastiat lived long enough to achieve his potential. Bastiat’s work in economic theory and the history and sociology of the state might have become part of the dominant liberal critique of European society on the eve of the cataclysm of the First World War. Imagine if in 1917 and 1918 the revolutions that were to break out were driven by the ideas of Bastiat not Marx, and if the new regimes that emerged from the destruction of the war were radically anti-statist and pro-free market, modeled on

the dreams of “The Utopian” deregulating politician in one of Bastiat’s economic sophisms.[79] How differently the 20th century might have turned out! But as Bastiat recognized in his story:

“Mr. Utopian, you are taking on too much, the nation will not follow you!”
“You have given me a majority.”
“I withdraw it.”
“About time, too! So I am no longer a Minister, and my plans remain what they are, just so many UTOPIAS.”

Endnotes

[78] Gustave de Molinari, *L'évolution économique du XIXe siècle: théorie du progrès* (Paris: C. Reinwald 1880); and Gustave de Molinari, *L'évolution politique et la révolution* (Paris: C. Reinwald, 1884).

[79] The concluding lines of ES2 11 “The Utopian” (17 January 1847). Frédéric Bastiat, *Economic Sophisms*, trans. Arthur Goddard, introduction by Henry Hazlitt (Irvington-on-Hudson: Foundation for Economic Education, 1996). Second Series, Chapter 11: The Utopian. <http://oll.libertyfund.org/titles/276#Bastiat_0182_1353>.

18. David M. Hart, "Bastiat and the 4 Musketeers: The Flowering of Classical Liberalism in Paris in the 1840s" [Posted: July 29, 2013]

What was it about Paris in the 1840s that resulted in the simultaneous emergence of a number of very original and important liberal thinkers and activists at that time? Bastiat was only one of a group of individuals, several of whom came to Paris from the provinces, who were beginning to make their mark at this time. Some went on to lead fairly long and productive lives; others were cut down early by disease (especially the cholera epidemic that swept France in 1849) and could not fulfill the promise of their youth. If I could borrow Dr. Who’s time machine, the TARDIS,[80] one period in history I would most love to visit is Paris in the late

1840s because I believe it was truly a unique “libertarian moment” in time.

It was a time when the intellectual frontiers of libertarian thought were being pushed back in multiple dimensions, and Frédéric Bastiat was one of those fertile French classical-liberal minds who was doing some of the hardest pushing. It was the time when Charles Coquelin (1802-1852) was challenging the idea that the state should have a monopoly of central banking and the issuing of money in his book *Du Crédit et des Banques* (1848)[81]; it was the time when Gustave de Molinari (1819-1912) was challenging the idea that the state should have a monopoly in the “production of security” (1849)[82]; and it was the time when Bastiat (1801-1850) was challenging a number of core principles of classical political economy, such as the theory of rent, of value, and Malthusian limits to population growth, and was thinking about how it might be taken in entirely new directions.

All of this activity in Paris was taking place under the protective intellectual umbrella of another young man from the provinces, Gilbert-Urbain Guillaumin (1801-1864), whose publishing firm published their books; provided the facilities for the monthly meetings of the Political Economy Society, which they all attended and at which their revolutionary ideas were hotly debated; and produced the *Journal des économistes*, in which they published their articles.[83] Guillaumin was also co-editor with Coquelin of the monumental *Dictionnaire de l'économie politique* (1852-53), which might justly be described as the pinnacle of classical-liberal scholarship in the mid-19th century with its 2,000 double-columned pages of text; it contained a vast array of biographical, bibliographical, and thematic articles on every economic topic imaginable.[84] In many ways Guillaumin's publishing firm was the Liberty Fund of the age, publishing books and journals, hosting monthly dinners where discussion thrived, bringing people of all kinds together to discuss free markets and individual liberty, and providing a hospitable environment where hitherto unthinkable thoughts could be think over a glass or two of red wine.

The historian Gérard Minard rightly called these four young men who came to Paris from the provinces the “Four Musketeers” of the French classical-liberal movement: Bastiat came from Mugron in the southwest, Coquelin from Dunkerque in the north, Guillaumin from Moulins in the south central region, and Molinari from Liège in Belgium.[85] Their new and original ways of thinking rearranged the intellectual furniture of French classical liberalism in fundamental ways, and it seems that something about where they came from helped them to think differently and to challenge the political and economic orthodoxy prevalent in the metropole.

This “libertarian moment” in history, which so interests me, is not just confined to Paris but also has a London dimension, so I would have to plan a quick side trip to London in the early 1850s to see Herbert Spencer (1820-1903) and company at the *Economist* magazine. It is interesting to speculate when the first one-volume survey or overview of the libertarian, or classical-liberal, position was published. This is important because it would show when these ideas began to be thought of as a coherent worldview based around a few basic principles concerning individual liberty that were applicable to a whole range of issues and problems. I think the first such book was Molinari's *Les Soirées de la rue Saint-Lazare*, which was published in 1849, closely followed across the channel by Spencer's *Social Statics* in 1851.[86] I think Bastiat and his friends began to think of classical liberalism very much in these terms, probably for the first time. As Robert Leroux noted in the conclusion to his opening essay, “Bastiat contributed in the mid-19th century to the marriage of economic liberalism with political liberalism in order to defend freedom in all its forms. Consequently, Bastiat's work cannot be reduced to the question of free trade, as too many have tried to do. His reflections on the state, the law, freedom of the press and, more broadly yet, on human nature testify eloquently to the breadth of his thinking.” It was this “marriage of economic liberalism with political liberalism” into a new and coherent view of the world that makes this period unique and important in the history of the classical-liberal tradition.

That Bastiat was ignored during more than the last 100 years says a lot about the intellectual climate of the late 19th and 20th centuries. Again, Robert Leroux notes that “The problem, perhaps, is not that France did not understand Bastiat, but that it did not *want* to understand him.” It is our hope that the new translation of his *Collected Works*, which is being published by Liberty Fund, will provide a new generation of scholars with the tools they need to explore his life and ideas

further. Perhaps the near future is the time, at long last, when *our* society will *want* to understand Monsieur Claude-Frédéric Bastiat a lot better.

P.S. If I had my TARDIS time machine I would go back in time tomorrow not only to have a drink and a chat with Bastiat and sing some anti-government songs by his friend Béranger, but also to ask him a few nagging questions I still have about the translation.

Endnotes

[80] TARDIS is the acronym for “Time and Relative Dimension in Space.”

[81] Charles Coquelin, *Du Crédit et des Banques* (Guillaumin 1848).

[82] Gustave de Molinari, “De la production de la sécurité,” *Journal des Économistes*, 15 February 1849, pp. 277-90; and *Les Soirées de la rue Saint-Lazare; entretiens sur les lois économiques et défense de la propriété.* (Guillaumin, 1849). Onzième Soirée, pp. 303-37.

[83] Guillaumin started his bookshop and publishing firm in 1835 and by 1847 the catalog was 22 pages long and contained works by 113 authors and editors. His daughters continued to run the firm in the same way after his death in 1864 until it was taken over by the publishing firm Alcan in 1907.

[84] Coquelin, Charles, and Gilbert-Urbain Guillaumin, eds. *Dictionnaire de l'économie politique* (Guillaumin et Cie., 1852-53), 2 vols. See the bibliography for the full title of this work which accurately describes its content and purpose. Bastiat was one of the guiding lights behind this enormous project. A translation of the full title is: “Dictionary of Political Economy, containing an exposition of the principles of the science (of economics), the opinion of the writers who have most contributed to its foundation and its progress, a general bibliography of political economy organized by author’s name and by topic, with biographical articles and commentaries on the principle works in the field.”

[85] Gérard Minart, *Gustave de Molinari (1819-1912)* (Institut Charles Coquelin, 2012), p. 25.

[86] Herbert Spencer, *Social Statics: or, The Conditions Essential to Happiness Specified, and the First of them Developed* (London: John Chapman, 1851). <<http://oll.libertyfund.org/titles/273>>. It should also be noted that J.S. Mill's *On Liberty* (1859) might also fall into this category of a one-volume survey or overview of the libertarian or classical liberal position. Mill was partly inspired by the translation in 1854 of Wilhelm von Humboldt's *The Sphere and Duties of Government*, which was written in 1792 but not published until the 1850s. This work also would qualify as such a one-volume survey. Wilhelm von Humboldt, *The Sphere and Duties of Government*. Translated from the German of Baron Wilhelm von Humboldt, by Joseph Coulthard, Jun. (London: John Chapman, 1854). <<http://oll.libertyfund.org/titles/589>>.

tyfund.org/titles/273>. It should also be noted that J.S. Mill's *On Liberty* (1859) might also fall into this category of a one-volume survey or overview of the libertarian or classical liberal position. Mill was partly inspired by the translation in 1854 of Wilhelm von Humboldt's *The Sphere and Duties of Government*, which was written in 1792 but not published until the 1850s. This work also would qualify as such a one-volume survey. Wilhelm von Humboldt, *The Sphere and Duties of Government*. Translated from the German of Baron Wilhelm von Humboldt, by Joseph Coulthard, Jun. (London: John Chapman, 1854). <<http://oll.libertyfund.org/titles/589>>.

19. David M. Hart, "In Vino Libertas: Bastiat on Wine, Liberty, and Political Economy" [Posted: July 30, 2013]

The connection between wine, liberty, and political economy in Bastiat's thinking is close. Having read all the classic works in political economy, Bastiat was aware of the general arguments in favor of free trade articulated by Adam Smith, Jean-Baptiste Say, and David Ricardo. As an inhabitant of a wine-producing region in the southwest of France and as a land owner and agricultural producer, he also had personal reasons to oppose high taxes and export restrictions on wine production, as well as tariffs that raised the cost of inputs used in wine production and transportation. It seems that early in his life, while being a farmer, a local magistrate, and an elected councillor were the dominant influences, he tended to stress the personal arguments in favor of free trade. After his discovery of the Anti-Corn Law League and Richard Cobden around 1842-43, he broadened the reasons for his support for free trade and argued much more on the grounds of the interests of all consumers, who were being taken advantage of by powerful vested interests.

Bastiat was born in Bayonne, south of Bordeaux, in a part of France that was dependent on wine production and international trade for its livelihood. Bastiat inherited his family's estates in 1825, when his grandfather died (both his mother and father had died of tuberculosis when Bastiat was very young). The region's economy had been severely disrupted during the

Napoleonic Wars, especially when Napoleon instituted the Continental Blockade in 1806 to deny Britain access to the European market. This severely curtailed France's wine trade with Britain and Portugal. With the return of the Bourbon monarchy in 1815, the old protectionist tariffs also returned. The government reviewed its tariff policy in 1822, when a new alliance between large landed interests and favored manufacturers was established and supported a strongly protectionist regime. Under the July Monarchy another review of tariff policy was conducted in October 1834, and any hopes of liberal reform were dashed because of the lock the protectionist interests had on the Chamber of Deputies.

Given these facts, it is not surprising that some of Bastiat's earliest writings dealt with the local wine industry, taxes, and electoral reform. Here I wish to examine some of his ideas before his contact with the Anti-Corn Law League and its leader Richard Cobden in order to show the evolution of Bastiat's views on the matter of free trade. It is clear that Bastiat already had liberal sympathies in the mid-1820s, and even after the less oppressive July Monarchy came to power in August 1830, Bastiat was concerned that real liberal reforms would be blocked by the privileged agricultural and manufacturing elites who controlled the electoral process.[87] During 1834 the government welcomed discussion by interested parties in revising the tariff policy but no one advocated an across-the-board liberalization of tariffs. Typical were the responses by various lobby groups, such as those from Bordeaux, that wanted to retain tariffs selectively so that their industry would benefit, or as Bastiat put it, "to set up an unjust privilege in favor of traders and manufacturers to the detriment of farmers and the general public." Bastiat on the other hand, even at this quite early date in his career, began to argue that "Privilege is being claimed for a few; I come to claim freedom for all." The lobbyists' hypocrisy prompted Bastiat to write his "Reflections on the Petitions from Bordeaux, Le Havre, and Lyons Relating to the Customs Service" (April 1834), in which he pointed out the problems with defending liberty only partially and in a way that seemed partisan:

Free trade will probably suffer the fate of all freedoms; it will be introduced into our legislation only after it has taken hold of our minds. For this reason, we should applaud the efforts of the

traders in Bordeaux, Le Havre, and Lyons even if the only effect of these efforts in the immediate future is to draw public attention to the matter.

However, if it is true that a reform has to be generally understood to be firmly established, it follows that nothing can be more disastrous than something that misleads opinion. And nothing is more likely to mislead it than writings that clamor for freedom on the basis of the doctrines of monopoly.[88]

A proposal to increase taxes on wine and spirits was introduced by the government in 1841 in order to reduce a growing budget deficit. Bastiat opposed this, partly as a wine producer, but also because it clashed with his free-market ideas, and submitted a study on "The Tax Authorities and Wine" in January 1841 to the General Council of Les Landes to which he had been elected in 1833.[89] One of the things Bastiat objected to in this new tax was its inequality -- it was imposed on a particular sector of the French economy -- thus creating "a heavily taxed category" and another "privileged" category that does not have their industry taxed at the same rate.

At the same time it places all the classes of citizen whose industry it regulates in a separate, heavily taxed category, it creates among these very classes inequalities of a second order: all are placed outside common law; each is held at varying degrees of distance.

It appears that the minister of finance has taken not the slightest notice of the radical inequality we have just pointed out, but on the other hand he has shown himself to be extremely shocked by the secondary inequalities created by the law: he considers as *privileged* the classes that have not yet suffered from all of the rigors it imposes on other classes. He is devoted to removing these nice differences not by relaxing them but by making them worse. [90]

It was at this time that Bastiat first expressed interest in forming an association for the defense of the interests of wine producers.[91] What is interesting is that he was still not calling for the creation of a general free-trade association but another lobby group to protect the interests of a particular sector of the agricultural industry. That was to come later, after he learned of the activities of the English Anti-Corn League (when he first learned of this is not clear, possibly as early as 1842 according to Dean Russell[92]) and

sought to create a French version using it as the model. By January 1843, when he presented a “Memoir on the Wine-Growing Question” to the Agricultural Society of Les Landes,[93] Bastiat was denouncing the “protectionist régime” and the “spirit of monopoly” more harshly, and this tendency grew throughout 1843 and 1844. According to the draft resolution Bastiat wrote for the Society, Bastiat states that:

the principal causes of this hardship are indirect taxation, city tolls, and the protectionist regime...

The Society also attributes the decline of wine producing in the département of the Landes to the absolute stoppage of exports of wines and spirits through the port of Bayonne, an effect that the protectionist régime could not fail to produce. It has also gained the hope of a speedy improvement in our external outlets from the recent words of the king of the French.

The Society does not pretend that the obstacles that the spirit of monopoly will put in the path of the accomplishment of this benefit do not exist. It will point out that by temporarily turning the action of tariffs to the advantage of a few industrial firms, France never intended to relinquish the right to use customs dues for a purely fiscal purpose; rather, far from this, France has always proclaimed that protection was by its very nature temporary. The time has come at last when private interests should be subjugated to the interests of consumers, [to] industries suffering hardship, [to] the maritime commerce of trading towns, and [to] the overall interest of peace between nations of which trade is the surest guarantee.[94]

By the time he submitted his breakthrough article to the *JDE* in October 1844, Bastiat had become a very knowledgeable and articulate advocate for free trade in general and no longer framed his arguments primarily in the context of an industry lobby group; now he argued for the interests of consumers in general, whether they be international consumers or national consumers.[95]

I will conclude by retelling an amusing anecdote that shows how closely wine and liberty were linked in Bastiat’s own personal life. The story comes from a letter he wrote to his friend Félix Coudroy on the night of 5 August, 1830, during the uprising against the autocratic Bourbon monarch Charles X. The garrison in Bayonne (Bastiat’s place of birth) was torn between supporting the more liberal revolutionaries in Paris

who wanted to install Louis Philippe and upholding the oath they had sworn to Charles X. The Bayonne garrison was strategically located where the Bourbon King of Spain, Ferdinand VII, could have sent troops through the south of France to support his kinsman and thus tip the balance in favour of Charles X. The 29-year-old Bastiat broke off his letter to Coudroy in mid-sentence and rushed to the garrison to persuade the officers to support the revolutionaries. He succeeded in winning them over, and he related the events to Coudroy upon his return. Bastiat won them over by drinking red wine with them and singing popular political songs written by the liberal poet Béranger. So for Bastiat, liberty had literally become a matter of wine and song: “in vino libertas” (in wine there lies liberty). [96]

After what has happened in Paris, what is most important is that the national flag should fly over the citadel in Bayonne. Without that, I can see civil war in the next ten years, and, although I do not doubt the success of the cause, I would willingly go so far as to sacrifice my life, an attitude shared by all my friends, to spare our poor provinces from this fearful scourge.

Yesterday evening, I drafted the attached proclamation to the 7th Light, who guard the citadel, as we intended to have it delivered to them before the action.

This morning, when I got up, I thought that it was all over; all the officers of the 9th were wearing the tricolor cockade, the soldiers could not contain their joy, and it was even being said that officers of the 7th had been seen wearing these fine colors. An adjutant had even shown me personally the positive order, given to the entire 11th division, to display our flag. However, hours went by and the banner of liberty was still not visible over the citadel. It is said that the traitor J— is advancing from Bordeaux with the 55th regulars. Four Spanish regiments are at the border, there is not a moment to lose. The citadel must be in our hands this evening or civil war will break out. We will act with vigor if necessary, but I, who am carried along by enthusiasm without being blind to the facts, can see that it will be impossible to succeed if the garrison, which is said to be imbued with a good spirit, does not abandon the government. We will perhaps have a few wins but no success. But we should not become discouraged for all that, as we must do everything to

avoid civil war. I am resolved to leave straight away after the action, if it fails, to try to raise the Chalosse. I will suggest to others that they do likewise in the Landes, the Béarn, and the Basque country; and through famine, wiles, or force we will win over the garrison.

I will keep the paper remaining to me to let you know how this ends.

The 5th at midnight

I was expecting blood but it was only wine that was spilt. The citadel has displayed the tricolor flag. The military containment of the Midi and Toulouse has decided that of Bayonne; the regiments down there have displayed the flag. The traitor J—— thus saw that the plan had failed, especially as the troops were defecting on all sides; he then decided to hand over the orders he had had in his pocket for three days. Thus, it is all over. I plan to leave immediately. I will embrace you tomorrow.

This evening we fraternized with the garrison officers. Punch, wine, liqueurs, and above all, Béranger contributed largely to the festivities. Perfect cordiality reigned in this truly patriotic gathering. The officers were warmer than we were, in the same way as horses which have escaped are more joyful than those that are free.

Farewell, all has ended. The proclamation is no longer useful and is not worth the two sous it will cost you.[97]

Endnotes

[87] See his essay “To the Electors of the Département of the Landes” (November 1830) *CW1*, <http://oll.libertyfund.org/titles/2393#lf1573-01_head_248>.

[88] “Reflections on the Petitions from Bordeaux, Le Havre, and Lyons Relating to the Customs Service” (April 1834) in *CW2*, <http://oll.libertyfund.org/titles/2450#Bastiat_1573-02_102>.

[89] “The Tax Authorities and Wine” (January 1841) in *CW2*, <http://oll.libertyfund.org/titles/2450#lf1573-02_label_067>.

[90] *Ibid.*, <http://oll.libertyfund.org/titles/2450#Bastiat_1573-02_181>.

[91] 27. Letter to Félix Coudroy” (2 January, 1841), in *CW1*, p. 43.

[92] Dean Russell, *Frédéric Bastiat: Ideas and Influence* (Irvington-on-Hudson, New York: The Foundation for Economic Education, 1965), p. 27.

[93] “Memoir Presented to the Société d’agriculture, commerce, arts, et sciences du département des Landes on the Wine-Growing Question” (22 January 1843) in *CW2* <http://oll.libertyfund.org/titles/2450#lf1573-02_label_105>.

[94] *Ibid.*, <http://oll.libertyfund.org/titles/2450#Bastiat_1573-02_369>.

[95] “De l’influence des tarifs français et anglais sur l’avenir des deux peuples,” *JDE*, Octobre 1844, T. IX, pp. 244-271.

[96] I have amended the traditional Latin phrase “in vino veritas” (in wine there lies the truth).

[97] *CW1*, 18.: Letter to Félix Coudroy (Bayonne 5 August 1830) <http://oll.libertyfund.org/titles/2393#Bastiat_1573-01_204>.

4. ADDITIONAL READING

Online Resources

At Liberty Fund's Online Library of Liberty website <<http://oll.libertyfund.org>>:

- the Bastiat bio page at the Online Library of Liberty <<http://oll.libertyfund.org/person/25>>.
- The Best of Bastiat is a collection of some of the best material in Liberty Fund's 6 volume edition of The Collected Works of Frédéric Bastiat (2011-). They are chapter length extracts and have been formatted as pamphlets for easier distribution. They are also available in epub format. These extracts should be useful in the classroom, discussion groups, or material for a literature table for outreach. <<http://oll.libertyfund.org/titles/2477>>.
- LF's edition of the *Collected Works of Bastiat* <<http://oll.libertyfund.org/titles/2451>>. (see below for details)
- Essays on and by Bastiat in The Forum
 - Selected Quotations from Bastiat's *Collected Works*, vol. 1: The Man and the Statesman: The Correspondence and Articles on Politics (2011)
 - A Chronological Listing of Bastiat's writings
- Images of Liberty: Monuments to Two 19th Century Free Traders: Frédéric Bastiat (1801-1850) & Richard Cobden (1804-1865)

Liberty Fund's Edition of Bastiat's *Collected Works*

Frédéric Bastiat, *The Collected Works of Frédéric Bastiat*. 6 Vols. Jacques de Guenin, General Editor. Translated from the French by Jane Willems and Michel Willems. Annotations and Glossaries by Jacques de Guenin, Jean-Claude Paul-Dejean, and David M. Hart. Translation Editor Dennis O'Keeffe. Academic Editor, David M. Hart (Indianapolis: Liberty Fund, 2011). <<http://oll.libertyfund.org/titles/2451>>.

- Vol. 1: The Man and the Statesman. The Correspondence and Articles on Politics (March 2011) <<http://oll.libertyfund.org/titles/2393>>.

- Vol. 2: "The Law," "The State," and Other Political Writings, 1843-1850 (June 2012) <<http://oll.libertyfund.org/titles/2450>>.
- Vol. 3: *Economic Sophisms* and "What is Seen and What is Not Seen"
- Vol. 4: Miscellaneous Works on Economics: From *Jacques-Bonhomme* to *Le Journal des Économistes*
- Vol. 5: Economic Harmonies
- Vol. 6: The Struggle Against Protectionism: The English and French Free-Trade Movements

French language Editions of his *Complete Works*

Oeuvres complètes de Frédéric Bastiat, mises en ordre, revues et annotées d'après les manuscrits de l'auteur (Paris: Guillaumin, 1854-55). 6 vols. [Edited by Prosper Paillottet with the assistance of Roger de Fontenay, but they are not credited on the title page.] A listing of the volumes are as follows:

- Vol. 1: Correspondance et mélanges (1855)
- Vol. 2: Le Libre-Échange (1855)
- Vol. 3: Cobden et la Ligue ou L'agitation anglaise pour la liberté des échanges (1854)
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5. GEORGE H. SMITH, “THE SYSTEM OF LIBERTY” (SEPTEMBER 2013)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty during the month of September, 2013. The online version of the discussion can be found at <http://oll.libertyfund.org/pages/system-of-liberty> and ebook versions at <http://oll.libertyfund.org/titles/2580>.

Summary

This is a discussion of George H. Smith's new book *The System of Liberty: Themes in the History of Classical Liberalism* published by Cambridge University Press (2013). Smith describes how he came to write the book, the works of the history of political thought which inspired him (in particular the writings of the German legal historian Otto von Gierke), and the methodology he uses in approaching the history of ideas (Locke's idea of "the presumption of coherence"). He demonstrates his approach with a brief discussion of one of the key ideas he has identified in the history of classical liberal thought, namely, the idea of "inalienable rights," or to phrase it in the terminology of 17th century natural rights philosophers like Pufendorf, the distinction between "perfect and imperfect rights." His essay is discussed by Jason Brennan, assistant professor of strategy, economics, ethics, and public policy at Georgetown University; David Gordon, Senior Fellow at the Ludwig von Mises Institute; and Ralph Raico, Professor Emeritus of History at the Buffalo State College.

The Debate

The online discussion consists of the following parts:

1. **Lead Essay:** George H. Smith, "The System of Liberty" [September, 2013]

2. Responses and Critiques:

1. Jason Brennan, "The Idea of Freedom: Little Is at Stake" [Posted: September 6, 2013]
2. David Gordon, "Utilitarianism and Natural Rights" [Posted: September 9, 2013]
3. Ralph Raico, "Why Only in the West?" [Posted: September 11, 2013]

3. The Conversation:

1. George H. Smith's Reply to Ralph Raico, David Gordon, and Jason Brennan [Posted: September 13, 2013]
2. Ralph Raico, "What Thou Meanest by Seizing the Whole Earth?" [Posted: September 18, 2013]
3. George Smith replies to Ralph Raico: And the Secular Powers Checked the Church [Posted: 23 September, 2013]
4. David Gordon, "Is Social Utility Enough to Justify Natural Rights?" A Response to George Smith [Posted: September 24, 2013]
5. Jason Brennan, "Consequences without Consequentialism" [Posted: September 24, 2013]
6. George H. Smith, "Were Natural-Rights Theorists Consequentialists?" A Reply To Jason Brennan [Posted: September 25, 2013]
7. George H. Smith, "Natural Rights and Moral Autonomy": A Reply to David Gordon [Posted: September 25, 2013]
8. Ralph Raico, "A Summing Up" [Posted: Sept. 27, 2013]
9. George H. Smith, "The Divinely Mandated Institution: A Reply to Ralph Raico" [Posted: September 30, 2013]
10. Jason Brennan, "Christianity and Liberalism" [Posted: September 30, 2013]

11. Ralph Raico, "My Final Word" [Posted: September 30, 2013]
12. David Gordon, "The Anarchy Game" [Posted: September 30, 2013]
13. George H. Smith, "When Did the Church Defend Freedom of Conscience?" A Final Reply Ralph Raico [Posted: October 1, 2013]

About the Authors

George H. Smith is an independent scholar and a weekly columnist at the Cato Institute's Libertarianism.org. He is the author of *Atheism: The Case Against God* (1974), *Atheism, Ayn Rand, and Other Heresies* (1991), *Why Atheism* (2000). He is also the author of the audio series on "Great Political Thinkers," "The Meaning of the Constitution," and "The Ideas of Liberty." He has articles and book reviews published in the *New York Times*, *Newsday*, *Reason*, *Liberty*, *The Journal of Libertarian Studies*, *Free Inquiry*, and *The Humanist*.

Jason Brennan is assistant professor of strategy, economics, ethics, and public policy at Georgetown University. He is the author of *Compulsory Voting: For and Against*, with Lisa Hill (forthcoming from Cambridge University Press); *Libertarianism: What Everyone Needs to Know* (Oxford University Press, 2012); *The Ethics of Voting* (Princeton University Press, 2012); and, with David Schmidtz, *A Brief History of Liberty*. He is currently writing *Against Politics* for Princeton University Press as well as *Why Not Capitalism?* and, with Peter Jaworski, *Markets without Limits* for Routledge Press. He has published in *Philosophy and Phenomenological Research*, *Philosophical Quarterly*, *The Australasian Journal of Philosophy*, and *Social Philosophy and Policy*. He blogs (sometimes) at Bleeding Heart Libertarians <<http://bleedingheartlibertarians.com/>>.

David Gordon is Senior Fellow at the Ludwig von Mises Institute. He received his Ph.D. in History from UCLA in 1975. He is the author of *Resurrecting Marx*, *An Introduction to Economic Reasoning*, and *The Essential Rothbard*. He is the Editor of the *Mises Review* and a member of the senior faculty of the Mises Institute. He has contributed to *Analysis*, *Mind*,

Ethics, *Quarterly Journal of Austrian Economics*, *Journal of Libertarian Studies*, and other journals.

Ralph Raico is a retired professor of European history at Buffalo State College. He studied in Chicago with F. A. Hayek, where he received his Ph. D., and in New York with Ludwig von Mises, whose book *Liberalism* he translated into English. Raico is the author of two collections of essays, *Classical Liberalism and the Austrian School* and *Great Wars and Great Leaders*, a revisionist work. His history of German liberalism was translated into German by Joerg Guido Huelsmann. Raico has lectured widely on classical liberalism in the U. S., Canada, and Europe.

1. LEAD ESSAY: GEORGE H. SMITH, "THE SYSTEM OF LIBERTY"

The System of Liberty: Themes in the History of Classical Liberalism[1] was written, on and off, over a period of nearly 15 years. I originally had in mind a longer, more ambitious book of which *System* would have comprised only a third, but reality finally persuaded me -- "compelled" might be a better word -- to divide the project into smaller segments along the lines of F.A. Hayek's *Law, Legislation, and Liberty*. The working titles of the other two parts of my trilogy, should I ever be able to finish them, are *The Disciplines of Liberty* and *Sovereign State, Sovereign Self*.

Every account of history has a history of its own. This consists of biographical details -- personal factors that caused historians to become interested in their subject matter and that shaped their perspective. Whether or not such personal details are relevant to understanding a particular text will vary from case to case, but when considering a history of controversial ideas, as we find in accounts of religious and political thought, some biographical knowledge of the historian may help us to understand his or her text.

As I reread *The System of Liberty* while preparing to write this essay, I was struck by how my basic perspective on the history of modern political thought was formed many years ago. In 1969, while a student at the University of Arizona, I visited my favorite used bookstore in Tucson and found, side by side, copies of two books by the great German scholar Otto Gierke. One was a paperback edition of *Political Theories of the Middle Ages*.^[2] The other was a hardcover version of *Natural Law and the Theory of Society, 1500-1800*.^[3]

Both books, which were taken from Gierke's three-volume work, *Das deutsche Genossenschaftsrecht* (*The German Law of Association*, 1881), were tough going for an undergraduate whose knowledge of the history of political theory had come mainly from superficial survey courses. I had never heard of Gierke before, but as I thumbed through the volumes for around 20 minutes, I was intrigued by his generalizations. Although the paperback was only a dollar, the Cambridge hardcover was ten dollars, which was more than I had ever paid for a used book. But having gotten paid the day

before from my job at an auto supply store, and with two weeks of minimum wage income weighing me down, I decided to purchase both volumes. That decision would significantly influence my subsequent intellectual development -- an influence that is reflected in *The System of Liberty*.

I still possess both volumes, and after 44 years it is instructive to see the passages that I bracketed for future reference. For example, in *Political Theories of the Middle Ages* (p. 87), Gierke, referring to the transition from medieval to modern political thought, wrote:

The Sovereignty of the State and the Sovereignty of the Individual were steadily on their way towards becoming the two central axioms from which all theories of social structure would proceed, and whose relationship to each other would be the focus of all theoretical controversy.

Gierke's contrast between state and individual sovereignty is reflected in various places in my book, most conspicuously in the title of Chapter 4, "Sovereign State, Sovereign Self." Although it is possible to trace features of individualism to the ancient and medieval worlds, I maintain in *System* that the political individualism of classical liberalism is a distinctively modern phenomenon, one that did not coalesce into a coherent political philosophy until the early 17th century. This development was facilitated, perhaps necessitated, by the rise of the absolute nation-state and, more specifically, by philosophical defenses of absolutism that became prominent in the 16th century. Such defenses of state sovereignty -- as found, most famously, in the writings of Jean Bodin -- were expressed in the language of rights, or enforceable moral claims. These rights were merely the flip side of the obligations that subjects owed to their sovereign. Bodin even discussed "inalienable" rights when considering which rights a political sovereign could never transfer or renounce.

Faced with this arsenal of arguments for state sovereignty, opponents of absolutism typically framed their criticisms in terms of individual sovereignty -- a concept that went by various labels, such as property in one's person, self-proprietorship, self-proprietorship, and, later, self-ownership and self-sovereignty.

Here, from *Natural Law and the Theory of Society* (p. 96), is another passage that I marked decades ago:

[T]he guiding threat of all speculation in the area of Natural Law was always, from first to

last, individualism steadily carried to its logical conclusions. Every attempt to oppose this tendency was necessarily a revolt, on this point or on that, against the idea of Natural Law itself.... The fixed first principle of the natural-law theory of society continued to be the priority of the Individual to the Group.

Gierke was not favorably disposed to the individualism of natural-law theories. He believed that the modern demotion of medieval corporations to a secondary status, one that placed them under the jurisdiction of a sovereign state, promoted absolutism by leaving no protective buffers between the state and the individual. The natural-law tradition recognized no group personalities; only individual human beings could claim moral autonomy. Thus, for natural-law liberals, the natural rights of individuals became the moral foundation of civil society – and this approach, in turn, generated the need for a fictitious social contract (in some form) to justify political authority through a process of consent. Thereafter the major currents in political thought became a struggle between the sovereignty of the state and the sovereignty of the individual.

The following is another passage from *Natural Law and the Theory of Society* (p. 113) that I not only bracketed but further emphasized by writing “NB” in the margin.

[T]he theory of the Rights of Man grew into a great and spreading tree. The supposition that individuals, on their entry into civil society, were only willing to surrender the smallest possible part of their freedom, was now associated with the doctrine that certain of the original rights of the individual were inalienable and intransferable, and could not, therefore, be effectively surrendered, even by an express act of contract. In this way a distinction came to be drawn between inherent and acquired rights. Acquired rights, it was argued, were subject to the system of positive law, which depended on the existence of the State; but inherent rights were based on the pre-social Law of Nature, and since that law was still valid to protect them, they were immune from any invasion by legislative action.

Although parts of Gierke’s summary are misleading, such as his depiction of “inherent rights” as pre-social rather than as pre-political, it was after reading this passage that I came to appreciate the theoretical significance of *inalienable* rights in the tradition of

liberal individualism. For natural-law liberals, inalienable rights were inextricably linked to man’s moral agency, so they could not be transferred, abandoned, or otherwise alienated, even with the consent of the rights-bearer. A person could no more transfer his inalienable rights than he could transfer his powers of reason and volition.

As I argue in Chapter 6, “The Radical Edge of Liberalism,” the doctrine of inalienable rights played a crucial role in the Radical Whig theory of revolution. The hypothetical construct of a social contract was unable to specify with precision which *alienable* rights had supposedly been delegated to government, so this was regarded as a legitimate topic of debate. But *inalienable* rights were a different matter altogether. Since they were incapable of transfer, no government could legitimately claim jurisdiction over them by appealing to a social contract or to a theory of implied consent. Consequently, a government that repeatedly violated inalienable rights qualified as tyrannical and became theoretically ripe for revolution.

In “The Radical Edge of Liberalism,” I use this analysis to explore the old controversy about why Thomas Jefferson did not include “property” in his list of “unalienable” rights in the Declaration of Independence. Aside from the fact (one often overlooked) that Jefferson wrote “among these” when referring to the inalienable rights of life, liberty, and the pursuit of happiness – thereby indicating that his list was not exhaustive – I point out that to have mentioned “property” as an inalienable right would have proved confusing to eighteenth-century readers. At that time “property” could refer to the moral power of dominion over one’s body, labor, actions, conscience, and so forth; or it could refer to external objects. In the former sense, “property” was regarded as an inalienable right, but this was not true of “property” in the narrow, more modern sense of the term. We can obviously alienate our external property by transferring ownership to other people. Indeed, Lockeans commonly argued that a social contract entails an agreement to transfer some of our property, collected as taxes, which governments need to function. Thus for Jefferson to have included property in his partial list of inalienable rights would have been highly ambiguous, at best.

Lastly, I employ the notion of inalienable rights in *The System of Liberty* to call attention to an essential

difference between theories of liberal utilitarianism and natural rights. Although the liberal theory of natural rights has been characterized as a type of rule utilitarianism, this overlooks the function of inalienable rights in that tradition. Inalienable rights, such as “liberty of conscience,” were immune to calculations of public utility, the general good, the common good, etc. Inalienable rights, unlike alienable rights, were viewed as absolute.

Having discussed some aspects of my approach to the history of modern political philosophy, as presented in *The System of Liberty*, I shall now summarize some of my thoughts about methodology, and I shall conclude with a topic that, in my judgment, merits further investigation by historians of classical liberalism. I have chosen the following topics in the hope that they will stimulate discussion.

1) Although, as I state in the introduction, my book “is not a history of classical liberalism per se,” its historical perspective raises the same problems of methodology that we encounter in any history of ideas. I have an enduring interest in the philosophy of history and have accumulated a mini-library of books on that topic alone,[4] but I am skeptical whether technical discussions of meaning, intention, and related matters are of much value to working historians, however interesting they may be to philosophers. Although the modern stress on context, such as we find in the methodological writings of Quentin Skinner, J.G.A. Pocock, and other historians associated with the Cambridge School,[5] is valuable, I don’t think there is much that is *essentially* new in that approach.[6]

2) So far as the interpretation of texts is concerned, I’m surprised that more attention has not been paid to John Locke’s discussion in *An Essay for the Understanding of St. Paul’s Epistles*, published posthumously in 1707.[7] Concerned with the tendency of laypersons to rely upon the interpretations of supposed biblical authorities (who often contradicted one another), Locke proposed some commonsensical rules for understanding texts, which may be summarized as follows:

Locke points out that we naturally tend to interpret a passage through our own understanding of words, even when those words meant something different to an author from a different era and culture. To overcome this obstacle we should read through a given

section or chapter as if it were a self-contained unit – seeking thereby to understand the central theme of that unit, or if it contains additional themes, to ascertain how they are connected, if at all. We should seek, in other words, a general view of the writer’s “main purpose in writing,” as well as his fundamental arguments in which that purpose is fulfilled. This will give us a sense of “the disposition of the whole.” One or two hasty readings is insufficient, according to Locke, especially when a text proves difficult to understand. The reading “must be repeated again and again, with close attention to the tenor of the discussion.”

It is best to assume that a given section “has but one business and one aim, until, by a frequent perusal of it, you are forced to see that there are independent matters in it.” When seeking the meaning of “obscure and abstruse” passages, we need to recall the overall purpose and context of the writer. It helps to know the particular circumstances and intended audience of the writer. If we cannot discern these, then we must use the text itself as a tool of interpretation. We should assume that the writer was coherent and informed, and we should interpret him in a manner that is consistent with this assumption. We should interpret a text with a view to the writer’s “character,” which we come to know from “diligent examination.” We should look for “coherence of discourse, tending with close, strong reasoning to a point.”[8]

Locke thus proposes what we may call a *presumption of coherence*. We should presume that the author had a full and comprehensive grasp of his subject and, moreover, that he had a reason for expressing his arguments in a certain manner. These assumptions, though defeasible, will lead us to an interpretation that is more likely to be correct than any other. Or, at the very least, this procedure will enable us to eliminate some of the more improbable interpretations as inconsistent with the overall tenor of the text. Having studied how a writer argues – and, by implication, how he thinks – we will be able “to pronounce with confidence, in several cases, that he could not talk this or that [way].”

I first read Locke’s discussion around 1977, and I found it more useful for practical purposes than volumes of modern, hyper-technical discussions about the historical interpretation of texts.

3) A topic that I discuss briefly in *The System of Liberty* is the distinction between “perfect” and “imperfect” rights and obligations. This is, in effect, an early version of the crucial distinction that later libertarian writers, such as Lysander Spooner, made between crimes and vices, so I think the topic deserves more attention than I was able to give it.

Although Hugo Grotius, writing in 1625, distinguished between perfect and imperfect rights, linking the former to “Justice properly and strictly taken,”[9] the definitive formulation, so far as later writers on natural law were concerned, was that given by Samuel Pufendorf in *The Law of Nature and Nations* (1672).

It should be observed ... that some things are due us by a perfect, others by an imperfect right. When what is due us on the former score is not voluntarily given, it is the right of those in enjoyment of natural liberty to resort to violence and war in forcing another to furnish it, or, if we live within the same state, an action against him at law is allowed; but what is due on the latter score cannot be claimed by war or extorted by a threat of the law.[10]

The dichotomy between moral obligations that may be coercively enforced and obligations that must rely on voluntary compliance became standard fare in the literature on natural law and natural rights. As I discuss in my book, Adam Smith mentioned it during his Glasgow lectures on jurisprudence (1762-63), and it is reflected in his discussion of justice in *The Theory of Moral Sentiments*. [11]

I cannot say when this usage fell into disfavor, but I know of one criticism from the late 18th century. In *The Principles of Moral Philosophy Investigated*, Thomas Gisborne criticized “the injudicious practice of moralists, in dividing rights into two kinds, which they have termed perfect and imperfect.”

This division I have rejected, as being radically indefensible and groundless, and a source of continual and important errors. Under the title perfect, all rights whatever were in fact comprehended. Those denominated imperfect, were not rights, according to any consistent definition of that term. If I were told by a moral philosopher, that a person in distress had a right to my charity, I should admit that he might have good reasons for presuming that I should relieve him; because he might reasonably expect that I should cheerfully employ the gifts which God had bestowed upon me, in a manner so con-

formable to the will of the donor: but I should deny that he had a *right* to that assistance from me which my Creator gave me authority to confer or to withhold at my discretion; and authority for the due exercise of which I am answerable to him alone.[12]

I have mentioned only a few of the intellectual currents that run through *The System of Liberty: Themes in the History of Classical Liberalism*. The book covers a good deal more, such as “the presumption of liberty,” so I hope my commentators will feel free to discuss anything that interests them.

Endnotes

[1] *The System of Liberty: Themes in the History of Classical Liberalism* (Cambridge, U.K.: Cambridge University Press, 2013).

[2] Otto Gierke, *Political Theories of the Middle Ages*, trans. Frederic William Maitland (Boston: Beacon Press, 1958). [A PDF version of the 1900 edition is available online at the OLL: Otto von Gierke, *Political Theories of the Middle Ages, translated with an Introduction by Frederic William Maitland* (Cambridge: Cambridge University Press, 1900). <<http://oll.libertyfund.org/titles/2562>>.]

[3] Otto Gierke, *Natural Law and the Theory of Society*, trans. Ernest Barker (Cambridge: Cambridge University Press, 1950).

[4] My favorite book on the philosophy of history is by the medieval historian Gordon Leff: *History and Social Theory* (Tuscaloosa, Ala.: University of Alabama, 1969). Also excellent is the neglected treatment by the Catholic intellectual historian James Collins: *Interpreting Modern Philosophy* (Princeton, N. J.: Princeton, 1972).

[5] For a collection of Skinner’s writings on methodology, see *Visions of Politics, Volume 1: Regarding Method* (New York: Cambridge, 2002). For some criticisms of Skinner (and his reply), see *Meaning and Context: Quentin Skinner and His Critics*, ed. James Tully (Princeton, N.J.: Princeton, 1988). The article by Kenneth Minogue (176 ff.) is especially good. For Pocock’s views, see *Political Thought and History*:

Essays on Theory and Method (New York: Cambridge, 2009).

[6] See, for example, the remarks on method by C.E. Vaughan in chapter 1 of his two-volume work, *Studies in the History of Political Philosophy: Before and After Rousseau* (Manchester, U.K.: University of Manchester Press, 1925). Cf. the Introduction in J.W. Allen, *A History of Political Thought in the Sixteenth Century* (London: Methuen, 1928). Also worthwhile is the earlier discussion by Sir Leslie Stephen in *History of English Thought in the Eighteenth Century*, 3d ed. (New York & Burlingame, Cal.: Harbinger Books, 1962), I: 1-16. This classic work, which remains unsurpassed in some respects, was first published in 1876.

[7] All quotations are from *The Works of John Locke*, 12th ed., vol. 7 (C. and J. Rivington: London, 1824). ["An Essay For the Understanding of St. Paul's Epistles, By Consulting St. Paul Himself" (1707) <http://oll.libertyfund.org/titles/1556#lf0128-07_-head_002>.]

[8] Editor: the full passage is: "Whether a superficial reading, accompanied with the common opinion of his invincible obscurity, has kept off some from seeking in him, the coherence of a discourse, tending with close, strong reasoning to a point; or a seemingly more honourable opinion of one that had been rapped up into the third heaven, as if from a man so warmed and illuminated as he had been, nothing could be expected but flashes of light, and raptures of zeal, hindered others to look for a train of reasoning, proceeding on regular and cogent argumentation, from a man raised above the ordinary pitch of humanity, to a higher and brighter way of illumination; or else, whether others were loth to beat their heads about the tenour and coherence in St. Paul's discourses; which, if found out, possibly might set them at a manifest and irreconcilable difference with their systems: it is certain that, whatever hath been the cause, this way of getting the true sense of St. Paul's epistles, seems not to have been much made use of, or at least so thoroughly pursued, as I am apt to think it deserves." Locke, "An Essay For the Understanding of St. Paul's Epistles, By Consulting St. Paul Himself" (1707) <http://oll.libertyfund.org/titles/1556#Locke_0128-07_25>.

[9] *The Rights of War and Peace*, ed. Richard Tuck, from the edition translated by Jean Barbeyrac (Indianapolis: Liberty Fund, 2005), I: 142-45. <<http://>

oll.libertyfund.org/titles/1425#Grotius_0138.01_136>.

[10] Samuel Pufendorf, *On the Law of Nature and Nations*, trans. C. H. Oldfather and W.A. Oldfather (London: Oxford at the Clarendon Press, 1934), 118. See also the discussion at 315.

[11] Editor: The passages Smith quotes in *System of Liberty* are from pp. 60-61 and are reproduced here. From *Lectures On Jurisprudence*: "Perfect rights are those which we have a title to demand and if refused to compel an other to perform. What they call imperfect rights are those which correspond to those duties which ought to be performed to us by others but which we have no title to compel them to perform; they having it intirely in their power to perform them or not. Thus a man of bright parts or remarkable learning is deserving of praise, but we have no power to compel any one to give it him. A beggar is an object of our charity and may be said to have a right to demand it; but when we use the word right in this way it is not in a proper but a metaphoricall sense." From *Theory of Moral Sentiments*: "Society may subsist, though not in the most comfortable state, without beneficence; but the prevalence of injustice must utterly destroy it. Though Nature, therefore, exhorts mankind to acts of beneficence, by the pleasing consciousness of deserved reward, she has not thought it necessary to guard and enforce the practice of it by the terrors of merited punishment in case it should be neglected. It is the ornament which embellishes, not the foundation which supports the building, and which it was, therefore, sufficient to recommend, but by no means necessary to impose. Justice, on the contrary, is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society, that fabric which to raise and support seems in this world, if I may say so, to have been the peculiar and darling care of Nature, must in a moment crumble into atoms."

[12] Thomas Gisborne, *The Principles of Moral Philosophy Investigated*, 3d ed. (London: B. and J. White, Fleet Street, 1795), 227-28.

2. RESPONSES AND CRITIQUES

1. Jason Brennan, "The Idea of Freedom: Little Is at Stake"

Smith's book is deep and rich. Anyone with an interest in the history of liberal thought will learn something valuable from it.

In this short response, I'm going to focus on the issue of how two different thinkers—Thomas Hobbes and John Locke—defined "liberty," and what is and is *not* at stake in their definitions. Hobbes and Locke would have thought that their different definitions of liberty have different implications about what governments ought and ought not do, but I think they're mistaken.

Classical liberals are liberals. What is supposed to make liberal doctrines distinctive is that it gives freedom some special, privileged, or fundamental place. But, as Smith notes (134) this presents a few problems.

First, there is a lot of disagreement about just what "freedom" or "liberty" signify, and also what it takes to secure freedom, so defined. Isaiah Berlin claims to have identified 200 different concepts of freedom, though Berlin doesn't tell us what these 200 different concepts are, and Smith is rightly skeptical that Berlin found quite that many. (134) Even non-liberals or anti-liberals claim to be *for* rather than against freedom. Marxists and fascists both say their preferred systems deliver a better kind of freedom or do a better job delivering freedom than liberal capitalism does.[13]

Second, "liberty" and "freedom" are often defined in terms of *other* moral concepts, such as *rights*, *property*, and *coercion*. (These terms are often in turn defined in terms of freedom, leading to problems of circularity.) So, while a typical libertarian will say that he advocates the free market because she opposes coercion, a typical Marxist will respond that she rejects the free market because she opposes coercion. Here, the two disagree about what counts as coercive.

Smith says that debates about the "true" meaning of freedom are usually futile, because "nominal definitions are determined by linguistic conventions, not by philosophers, and the conventional meanings of 'freedom' are significantly diverse to support a wide variety

of interpretations." (135) So, for instance, one cannot just pound the table and insist that "freedom" just means libertarian negative liberty—that won't reflect the common usage of the word in English and it will just come across as ideological special pleading.[14]

Smith proposes instead (in chapter 7, "The Idea of Freedom") to dispense with the futile debate about what the "true" meaning of "freedom" or "liberty" is, and instead to just examine how classical liberals thought of the concepts, as the concepts were embedded in the context of classical-liberal ideology.

Smith notes that in conventional English, the words "liberty" and "freedom" appear to be used to refer to variety of related but not identical things. My view is that "freedom" and "liberty" are not in the first instance *philosophical* concepts, unlike, say, "epistemic justification" or "social contract." Instead, these are conventional concepts in natural language, though they are concepts that philosophers appropriately take great interest in. Thus, there is a default presumption that philosophers should yield to common usage when discussing what "liberty" really means. (The same goes for, say, the word "fish," which is a pre-scientific term, but not the word "mammal," which is a scientific term. [[15] In contrast, there is a default presumption that laypeople should yield to philosophers' usage when discussing what "epistemic justification" means. These presumptions can be defeated, of course. So, for instance, if the common usage of "liberty" turned out to be radically confused or incoherent, then philosophers have grounds for revising the language, if they can.

Very little is at stake ideologically in how we define our terms. For any plausible definition of "liberty," it will be an open question—a question not settled by definition—whether that kind of liberty is valuable, whether we have a right (of some sort) to that kind of liberty so defined, whether and how that liberty ought to be protected or promoted, and so on. In short, the real debate between, say, Marxists and classical liberals is not over the best understanding of the word "liberty," but is about something else.[16]

Smith says classical liberals often adopt "negative" conceptions of liberty. A "negative" conception of liberty defined liberty in terms of the absence of something. Smith notes that while Thomas Hobbes and Locke both had negative conceptions of liberty, these conceptions were different in kind. Hobbes's concep-

tion is “mechanistic” while Locke’s is “social” (136). Hobbes says that literally any physical obstacles to achieving your goals count as impediments to your liberty, while Locke reserves the word “liberty” to refer to the absence of rights violations (in one’s property). So, for Hobbes, if a tree falls and pins you down, this is just as much an impediment to your freedom of movement as when a thug pins you down. In contrast, Locke would say that the thug violates your freedom, but he would not say (except in a loose sense) that the tree impedes your liberty.

Smith says that these two ways of understanding liberty “can have profound ideological implications...” (137) For absolutists like Hobbes and Filmer, it would be absurd to say the purpose of laws is to promote liberty, because laws always, in the first instance, create obstacles where there were none. Governments primarily *restrain* liberty, and for good reason, according to Filmer and Hobbes. In contrast, for Locke, when a government protects rights, it thereby protects our freedom. For Hobbes, to stop a thief from mugging you involves a loss of freedom for the thief, while to allow the thief to mug you involves a loss of freedom for you. For Locke, only the latter counts as a loss of freedom—since the thief has no right to your wallet, it doesn’t count as a loss of freedom to stop him from mugging you. (139)

I think Smith’s exegesis is correct, and I think he’s right that Locke and Hobbes would have seen their disagreement about the right way to define “liberty” as in turn leading to different conclusions about politics. But I disagree with Locke and Hobbes here over whether this difference in definition in fact has *any* moral implications. Locke and Hobbes have deep disagreements, but this disagreement does not result logically from their disputes over the best way to define “liberty.”

To see why, consider: I’m pretty much an anarchist classical liberal, yet I also I pretty much accept the Hobbesian definition of negative liberty. In my view, as in Hobbes’s, 1) a tree that falls on me is just as much an impediment to my freedom as 2) a big thug pinning me down in order to mug me, which is turn the same impediment to my freedom as when 3) a police officer pins me down after I’ve mugged someone. However, while there is no metaphysical difference among these cases—I’m equally unfree in all three—there are

huge *moral* differences. In the first case—a tree falls on me—I’m unfree, but this is just an unfortunate fact of no moral significance. In the second case, I’m unfree, and wrongly so. In the third case, I’m unfree, and *rightly so*. The situations are the same in terms of freedom but not in terms of their moral portent.

I take issue with Locke’s definition of liberty, because it implies, as far as I can tell, that people who are rightfully imprisoned haven’t lost any freedom. After all, they *ought* to be in prison, and so their rights aren’t be violated. Since their rights aren’t being violated, they aren’t unfree. Yet, there they are, behind bars. That seems a bit weird. Isn’t it conceptually cleaner just to say that justly convicted and imprisoned prisoners are not free to leave, and rightly so?

Continuing with this point, I’d say that a classical-liberal government restrains the freedom of government officials to do as they please—and rightly so!—while an authoritarian government gives officials great freedom to do as they please—and wrongly so! My right of free speech, when protected, comes at the expense of others’ freedom to restrict my speech—and rightly so. Etc.

If we decide to use the Hobbesian definition of “liberty,” then the ideological question isn’t so much what counts as a restriction of freedom, but what counts as a good or bad, rightful or wrong restriction of freedom. Very little is at stake in how we define our terms.

Smith says,

The mechanistic view [of liberty] was favored by absolutists ... because it supported their contention that all laws *necessarily* restrict liberty. All governments enforce laws that restrain people from doing what they might otherwise have a will to do – so it is absurd to claim, as did the political individualists, that the primary purpose of government is to preserve liberty. It is therefore nonsensical to reject absolutism for its supposed incompatibility with freedom.

Again, I think Smith is right that the absolutists, Hobbes and Filmer, saw things this way. But the absolutists are making an important mistake. I agree with Hobbes and Filmer that, say, a law forbidding rape, if enforced properly, stops would-be rapists from having the freedom to rape. But since people *shouldn’t* have the freedom to rape, this is a *good* and *just* restraint of liberty. In contrast, a government that stops people

from, say, smoking pot restrains liberty, but in this case, unjustly. I can just agree with Hobbes that even a liberal polity restricts freedom, but then respond that it restricts *wrongful* freedoms while allowing *rightful* freedoms. When Locke says that a good government promotes freedom, we can easily translate this into Hobbesian language by saying instead that a good government protects *rightful* freedoms while restricting *wrongful* freedoms. So, again, nothing is at stake in how we define our terms. The debate over what governments ought and ought not to do is *not* settled by finding the right definition of liberty.

Note that even on Hobbes's own terms, the move to government from the Hobbesian state of nature should be seen as an improvement in how much liberty we enjoy. The state of nature is a war of all against all, Hobbes argues, in others continuously interfere with us. The Leviathan imposes barriers and obstacles upon us, and so in the first instance reduces our liberty, as Hobbes understands the concept. But the result is that we are interfered with much less than we were in the state of nature. So, overall, we gain rather than lose liberty. What's more—and here Hobbes agrees—the value of the liberty we enjoy under the Leviathan is much higher than the value of our liberty in the state of nature. Now, Smith and I both dispute whether anarchy really would be like the Hobbesian state of nature, and of course neither Smith nor I accept Hobbes's favored form of government. My point here is just that even Hobbes's argument for government can be re-stated as the view that government exists to promote liberty, even if Hobbes himself didn't describe it that way.

In closing, I think there are three main questions about liberty:

1. What is it?
2. How much and what kind of value, if any, does liberty have? (Do people have a right to certain kinds of liberty?)
3. What institutions and social conditions best produce and protect the kinds of liberties worth having? (In particular, what role should government have?)

The first question is the most basic. One cannot answer the other questions without having good answer to the first. The third question (and the second, to some degree) requires more than just the tools of philo-

sophical theorizing. To know what institutions best produce and protect liberty requires social scientific investigation. It cannot be answered from the armchair.

The right way to think about these questions is to answer them in order. But I tend to find—and Smith notices something like this as well (133)—that most people tend to theorize about these questions in the something like the reverse order. People first begin with their ideology, whatever that is, and then reverse-engineer a definition of “liberty” such that it comes out, fortuitously, that their favored political regime is the only regime that promotes *real* liberty. It's bogus, regardless of whether a Rousseauian or a Randian is doing it.

Endnotes

[13] E.g., Benito Mussolini and Giovanni Gentile, “The Doctrine of Fascism,” <<http://www.upf.edu/materials/fhuma/nacionalismes/nacio/docs/muss-doctrine.pdf>>: “In our state the individual is not deprived of freedom. In fact, he has greater liberty than an isolated man, because the state protects him and he is part of the State. Isolated man is without defence.”

[14] With all due respect, this is how I see Tom Palmer's essay here: <<http://www.cato-unbound.org/2010/03/12/tom-g-palmer/liberty-liberty>>. Nonlibertarian understandings of the word “liberty” have been mainstream pretty much forever.

[15] John Dupré, “Natural Kinds and Biological Taxa,” *The Philosophical Review* 90 (1981), 66-90, here esp. pp. 75-76.

[16] For more on this, see David Schmidtz and Jason Brennan, *A Brief History of Liberty* (Boston: Wiley-Blackwell, 2010), pp. 1-29.

2. David Gordon, "Utilitarianism and Natural Rights"

Reading George Smith's outstanding new book brought back a pleasant memory. I first met George Smith in 1978 at the Acres of Books bookstore in Long Beach, California, and, if memory serves, we spoke about one of George's favorite authors, the historian and sociologist J.M. Robertson. George's vast learning very much impressed me then, and it has continued to do so through the many years that have elapsed since that first encounter, when we were both young.

George's scholarship is abundantly evident in *The System of Liberty*. Despite my reputation, to my mind an undeserved one, as a harsh reviewer, I do not have any criticisms to offer of the book. Rather, I'd like to ask questions about a few passages, in the hope that George will be able to cast further light on these.

George quotes a puzzling remark from Locke: At any rate, it has puzzled me. "The rightness of an action does not depend on its utility; on the contrary, its utility is a result of its rightness." (p.27. All subsequent references to the book will be by page numbers in parentheses in the text.) George seems to me entirely right in grouping Locke among the liberals who saw natural rights and social utility as "perfectly compatible." (p.27) What, though, is meant by saying that the rightness of an action *results* in its utility? How can the rightness of an action bring about, or cause, it to be useful? If Locke just means that right actions tend to *be* useful, then Locke's meaning is clear. But saying that a right action is useful and saying that the rightness of the action causes it to be useful are two different claims. What exactly does Locke mean?

Thinking about this passage leads to a question of greater scope. A principal theme of the book is a contrast between two sorts of classical liberal. Both sorts thought that there was a general presumption in favor of *laissez faire*. Interference with liberty, they all agreed, required justification: *laissez faire* was the default position. The difference between the two groups was that one of them forbade altogether interference with certain rights, deemed inalienable. Considerations of social utility, those who held this position maintained, could not trump these rights. The other group did not exempt these rights, or anything else, from interference, if a case could be made for it. "Those liber-

als who, like Jefferson, distinguished between alienable and inalienable rights typically maintained that only alienable rights should be regarded as defeasible presumptions. Under no circumstances could a government violate *inalienable* rights, so rights in this category were regarded as absolute." (p.23, emphasis in original)

George's contrast of the two sorts of liberalism leads to a question. He says: "The difference consists mainly in this: Utilitarians justified rights solely on the grounds of their social utility, whereas proponents of natural rights considered social utility to be a *consequence* of observing moral principles that are ultimately justified in terms of human nature--especially the role of reason in judging which actions will enable a person to live a good life." (p.33, emphasis in original).

In sum, the supporters of natural rights argued in this way. "In order to figure out how to lead a good life, we need to examine human nature. If we do so, we will discover that people require a protected sphere of activity in order to flourish. Living in a society that guarantees this sphere of activity though rights that the government cannot violate will best promote human flourishing."

Does this not raise a question? Are not people who argue in the way just described themselves appealing to social utility? They are saying that it is best for everybody if natural rights are respected. If rights are respected, this will result in an increase in social utility. [17] If so, it would seem that we have here an intramural quarrel among utilitarians. One group asserts, and the other denies, that the proper way to promote social utility is to respect rights. Are there considerations to which the natural rights liberals appeal that are independent of human flourishing, and if so what are they?

Certainly there have been professed utilitarians who endorsed natural rights. Herbert Spencer, about whom George has, both in *The System of Liberty* and elsewhere, written illuminatingly, was one such. This raises all the more pointedly the need to set forward exactly how a natural rights view differs from a utilitarian one, if indeed it does.

Further, I think another position should be noted. A classical liberal could defend complete *laissez faire*, or close to it at any rate, without appeal to rights. Mises

defended this position. He argued that the free market is the only viable social system. Interferences with it will fail to achieve the goals their supporters favor; and, if continued and extended, lead to socialism, a system doomed to calculational chaos.

As will by now be evident, the topic of rights is central to George's book. Reading George's account of rights leads me to one more question. George writes: "Whatever the origin of individual rights may be, the general notion of a political right to compel obedience is implicit in the notion of political obligation. To ponder our duty to obey a political authority is also to ponder the *right* of that authority to compel obedience. Whether this authority was historically conceived as secular or religious is irrelevant to this point, as is the specific language that was used to express this right. So long as political philosophers were concerned with the justification of political obligation, they were also concerned with the justification of political rights." (p.68, emphasis in original)

I do not doubt that George is here perfectly correct. If I am obligated to obey someone, this obligation can be rephrased as someone's right to compel me to obey. The question I wish to raise is whether the principal defenders of a duty to obey the state did in fact speak in this connection of the right of the state to compel obedience. They could have, but did they? Would, e.g., defenders of absolutism have said something like this: "You are required to obey the king, because if you don't, you would be violating the king's rights"?

That is a very broad question, so let us narrow it down. In his discussion of sovereignty, George rightly draws attention to Jean Bodin. "Sovereign power, according to Bodin, is 'absolute and perpetual'; a sovereign authority is not limited in power, in function, or in length of time. This stress on the absolute nature of sovereign power is what links Bodin and others in his school to the political approach called 'absolutism.'" (p. 77) Did Bodin speak of the sovereign's *right* to compel obedience? I do not mean in asking this to suggest that he didn't. It has been many years since I read him, and I fear that I do not recall. But I think it is an important question whether the language of rights was explicitly used about the sovereign.

In his discussion of sovereignty, George valuably draws attention to an argument deployed by Bodin and

by Marsilius of Padua before him. According to this argument, there must be a single final source of authority to resolve conflicts in a society. Marsilius imagines a situation in which there are several competing governments in a territory. Each government might at the same time summon a person to appear before its respective court, but the person summoned, unable to be in two places at the same time, "would be held in contempt by at least one ruler for failing to fulfill a moral and legal obligation that no one could possibly fulfill." (p.79)

It is worth pointing out that this argument does not on its own terms succeed in showing the need for a single sovereign. Suppose someone faces conflicting legal obligations of the kind described. For each such instance, there must be an authority to resolve the conflict. Otherwise, the person will be unable to fulfill at least one obligation. It does not follow from this, though, that the same authority must resolve all such disputes. From "For each conflicting obligation, there must be an authority to determine which (if any) is binding" it does not follow that "There must be in a society be a single authority to resolve all disputes about obligations." The fallacy is the same as that involved from going from "Every person has a father" to "Someone is everyone's father."

The System of Liberty is a major contribution to the understanding the classical liberal tradition, and I highly recommend it. The chapter "The Anarchy Game" is particularly important.

Endnotes

[17] Note, to revert to my previous question, that to claim that observing people's rights will promote social utility is not to claim that the rightness of doing so brings about an increase in utility.

3. Ralph Raico, "Why Only in the West?"

My good friend George Smith is, in all likelihood, the premier scholar of freethought of the present day, besides being an excellent historian of modern political thought in general. His new book will doubtless be an important contribution to the history and philosophy of classical liberalism.

I wonder, though, whether George has ever considered why liberalism and the idea of freedom originated in the West and not in other great civilizations, such as China, India, and Islam. Ludwig von Mises noted the fact that liberalism is quintessentially Western, but, again, did not explain why. In fact, in Europe even classical antiquity lacked the idea of individual freedom. For the Greeks, the *polis* was the center of their existence. The Romans worshipped their city; *Roma* was a goddess, with temples and priests to serve her.

What made the difference in the West was the introduction of a powerful new factor: Christianity.

Christian contributions include the mitigation of slavery and a greater equality between parents within the family. But the crucial *political* impact of Christianity emerged with the critique of state-worship of the early Church Fathers, particularly St. Augustine, who contrasted the City of God to the City of Man, giving unquestionable priority to the first. Karl Ferdinand Werner, in (Baechler, Hall, and Mann, eds. *Europe and the Rise of Capitalism*, 1988) pointed out that St. Augustine and other Christian writers had *desacralized* the state and thus radically altered the conception prevalent in Greco-Roman antiquity.

In my view, a reliable guide to the history of liberty is Lord Acton. In his great essays, "The History of Freedom in Antiquity" and "The History of Freedom in Christianity," Acton traced the dichotomy that made liberty possible to the words of Jesus Himself:

When Christ said: "Render unto Caesar the things that are Caesar's, and unto God the things that are God's," those words, spoken on His last visit to the Temple, three days before His death, gave to the civil power, under the protection of conscience, a sacredness it had never enjoyed, and bounds it had never acknowledged; and they were the repudiation of

absolutism and the inauguration of freedom. [From "The History of Freedom in Antiquity".]

A Roman Catholic, Acton explains how Jesus provided, in addition to the idea, the practical means for its achievement:

For our Lord not only delivered the precept, but created the force to execute it. To maintain the necessary immunity in one supreme sphere, to reduce all political authority within defined limits, ceased to be an aspiration of patient reasoners, and was made the perpetual charge and care of the most energetic institution and the most universal association in the world. The new law, the new spirit, the new authority, gave to liberty a meaning and a value it had not possessed in the philosophy or in the constitution of Greece or Rome before the knowledge of the truth that makes us free. [From "The History of Freedom in Antiquity".]

Acton records the results of the medieval struggle between the Catholic Church and the state:

To that conflict of four hundred years we owe the rise of civil liberty.... [A]lthough liberty was not the end for which they strove, it was the means by which the temporal and the spiritual power called the nations to their aid. The towns of Italy and Germany won their franchises, France got her States-General, and England her Parliament out of the alternate phases of the contest; and as long as it lasted it prevented the rise of divine right. [From "The History of Freedom in Christianity."]

In recent years, Acton's conclusions have come to be supported by a large body of scholarship. Harold J. Berman, in his essay, "The Influence of Christianity on the Development of Western Law" (1974) and his work, *Law and Revolution: The Transformation of the Western Legal Tradition* (1983), has stressed that with the fall of Rome and the eventual conversion of the Germans, Slavs, Magyars, and other peoples, Christian ideas and values suffused the whole blossoming culture of Europe. Importantly, such Christian ideas included the concept of natural law, including the legitimacy of resistance to unjust rulers.

Berman, like Acton, focuses attention on a critical development that began in the 11th century: the creation by Pope Gregory VII and his successors of a "corporate, hierarchical church ... independent of emperors, kings, and feudal lords," [p. 56] and thus capable of foiling the power-seeking of temporal au-

thority. In this way, he bolsters Acton's analysis of the central role of the Catholic church in generating Western liberty by forestalling any concentration of power in the secular rulers such as marked the other great cultures.

Berman's work is in the tradition of the learned English scholar, A. J. Carlyle, who, at the conclusion of his six-volume study of political thought in the Middle Ages, *A History of Medieval Political Theory: Political Theory from 1300 to 1600* (1950), summarized the basic principles of medieval politics: that all—including the king—are bound by law; that a lawless ruler is not a legitimate king, but a tyrant; that where there is no justice there is no commonwealth; and that a contract exists between the ruler and his subjects.

Other recent scholarship has supported these conclusions. In his last, posthumous work (*Religious Thought and Economic Society*, 1978), the distinguished historian of economic thought, Jacob Viner, noted that the references to taxation by St. Thomas Aquinas "treat it as a more or less extraordinary act of a ruler which is as likely as not to be morally illicit." Viner pointed also to the medieval papal bull, *In Coena Domini*—evidently republished each year into the late eighteenth century—which threatened to excommunicate any ruler "who levied new taxes or increased old ones, except for cases supported by law, or by an express permission from the pope."

Throughout the Western world, the Middle Ages gave rise to parliaments, diets, estates-generals, Cortes, etc., which served to limit the powers of the monarch. A. R. Myers (*Parliaments and Estates in Europe to 1789*, 1975) notes:

Almost everywhere in Latin Christendom the principle was, at one time or another, accepted by the rulers that, apart from the normal revenues of the prince, no taxes could be imposed without the consent of parliament.... By using their power of the purse [the parliaments] often influenced the rulers policies, especially restraining him from military adventures. [pp. 29-30]

Popular rights, above all protection against arbitrary taxation, were defended by representative assemblies elected by the tax-bearing classes and were often enshrined in charters that the rulers felt more or less obliged to respect. In the most famous of these, the Magna Carta, which the barons of England extorted

from King John in 1215, the first signatory was Stephen Langton, Archbishop of Canterbury.

In a synthesis of modern scholarship (*Inventing the Middle Ages*, 1991), Norman F. Cantor has summarized the heritage of medieval times

In the model of civil society, most good and important things take place below the universal level of the state: the family, the arts, learning, and science; business enterprise and technological process. These are the work of individuals and groups, and the involvement of the state is remote and disengaged. It is the rule of law that screens out the state's insatiable aggressiveness and corruption and gives freedom to civil society below the level of the state. It so happens that the medieval world was one in which men and women worked out their destinies with little or no involvement of the state most of the time. [p. 416]

One highly significant factor in the advance of the West is its relative lack of institutionalized envy. The sociologist Helmut Schoeck (*Envy: A Theory of Social Behavior*, 1987) has drawn attention to the omnipresence of envy in human societies. Perceived as a grave threat by those at whom it is directed, it typically results in elaborate envy-avoidance behavior: the attempt to ward off the dangers of malicious envy by denying, disguising, or suppressing whatever traits provoked it. The anti-economic consequences of socially permitted—or even encouraged—by envy and reactive envy-avoidance scarcely lend themselves to quantification. Nonetheless, they may clearly be highly damaging. Western culture has somehow been able to inhibit envy to a remarkable degree, a fact that Schoeck links to the Christian faith: "It must have been one of Christianity's most important, if unintentional, achievements in preparing men for, and rendering them capable of, innovative actions when it provided man for the first time with supernatural beings who, he knew, could neither envy nor ridicule him."

Thus, long before the 17th century, Europe had produced political and legal arrangements and personal attitudes—a whole way of life—that set the stage for both individual freedom and the later industrial "take-off."

With the Reformation and the French Revolution, the Church felt compelled to turn to the state to fight its Protestant and then its anti-Christian enemies (an alliance that lasted into the 19th century). By then,

though, the job of the Catholic Church in engendering Western liberty was done.

3. THE CONVERSATION

1. George H. Smith's Reply to Ralph Raico, David Gordon, and Jason Brennan

My thanks to Ralph Raico, David Gordon, and Jason Brennan for their thoughtful commentaries. They covered an extremely broad range of topics, so, given my space limitations, I am unable to reply to everything. Perhaps I can comment on neglected points in subsequent exchanges.

(1) Ralph wrote: “Ludwig von Mises noted the fact that liberalism is quintessentially Western, but, again, did not explain why.”

In the opinion of Mises, liberalism was largely a product of the Enlightenment. In *Socialism: An Economic and Sociological Analysis*, he referred to “the dislike which the Church has shown for economic liberty and political Liberalism in any form.” Mises continued:

Liberalism is the flower of that rational Enlightenment which dealt a death blow to the regime of the old Church and from which modern historical criticism has sprung. It was Liberalism that undermined the power of the classes that had for centuries been closely bound up with the Church. It transformed the world more than Christianity had ever done. It restored humanity to the world and to life.[18]

Ralph wrote: “In my view, a reliable guide to the history of liberty is Lord Acton.”

I share Ralph’s enthusiasm for Acton. Indeed, I first became familiar with Acton’s account of the history of western freedom from one of Ralph’s brilliant lectures in the late 1970s, and I later published two articles on what I call the “Acton Thesis.”[19] It should be understood, however, that Acton did not regard the Church as a powerful force for liberty per se after Constantine forged an alliance between Christianity and the Roman state during the fourth century.

According to Acton, neither church nor state (i.e., the secular powers) favored liberty, but, while competing for allies, each granted various immunities and privileges to towns, parliaments, universities, guilds, and other corporations. Eventually some of these insti-

tutions were able to resist the power of both church and state – and so there evolved a decentralized system of power unknown to the ancient world and the East. Individual liberty was a happy byproduct of this system. As Acton wrote in “The History of Freedom in Christianity”: “If the Church had continued to buttress the thrones of the kings whom it anointed, or if the struggle had terminated speedily in an undivided victory, all Europe would have sunk down under a Byzantine or Muscovite despotism. For the aim of both contending parties was absolute authority.”[20] Thus the primary role of the Church in the history of western freedom lay not in its liberal tendencies but in functioning as a counterweight to competing secular powers. [21]

Ralph wrote that “St. Augustine and other Christian writers had *desacralized* the state and thus radically altered the conception prevalent in Greco-Roman antiquity.” This is certainly a legitimate point, but there is another side to the story. Augustine, for example, developed a systematic justification of religious persecution that would exert a profound and deleterious influence for centuries to come.

Moreover, like many Church Fathers, Augustine used the doctrine of original sin to justify slavery and the state. In this approach human laws should function as a divinely ordained punishment and remedy for sin, not as a protection for individual freedom. We see one of many consequences of this theory in Augustine’s account of the degenerative causes that led to the sack of Rome in 410. Among other things, Augustine blamed the moral *laissez-faire* of Rome. I know of no better description in ancient literature of a free society than is described in the following passage, but Augustine condemned the very policies that later classical liberals and libertarians would defend.

The laws should punish offences against another’s property, not offences against a man’s own personal character. No one should be brought to trial except for an offence, or threat of offence, against another’s property, house, or person; but anyone should be free to do as he like about his own, or with his own, or with others, if they consent.[22]

[Editor: In the edition used on the OLL the quote comes from *City Of God*, Book II, chap. 20. “Let the laws take cognizance rather of the injury done to another man’s property, than of that done to one’s own person. If a man be a

nuisance to his neighbor, or injure his property, family, or person, let him be actionable; but in his own affairs let every one with impunity do what he will in company with his own family, and with those who willingly join him."]

To conclude: Christianity was an extremely broad stream of thought; to use A.V. Dicey's metaphors, it contained ideological currents, counter-currents, and cross-currents. In my opinion, to speak of the historical influence of Christianity on such-and-such is to reify an abstraction. I would be the last to deny the indispensable role that countless *Christians* played in the development of free institutions and libertarian ideas, but important contributions were also made by deists, secularists, atheists, and so forth.

(2) I shall now turn to some of David Gordon's comments.

David wrote: "George quotes a puzzling remark from Locke: At any rate, it has puzzled me. 'The rightness of an action does not depend on its utility; on the contrary, its utility is a result of its rightness.'...What exactly does Locke mean?"

The sentence I quoted by Locke is the last line of his *Essays on the Law of Nature*. [23] Locke wished to rebut the claim that there is "no such thing as a natural law of justice, or, if it exists, it is the height of folly, inasmuch as to be mindful of the advantages of others is to do harm to oneself." Locke was addressing the argument that "each person's own interest is the standard of what is just and right," and that "nothing in nature is binding except so far as it carries with it some immediate personal advantage." Locke replied, in essence, that our estimates of personal advantage cannot be the "basis of natural law," because we would be unable to pursue our rational interests in a society with no regard for the natural law of justice, a society in which there is no security for life and property. Locke concluded that "utility is not the basis of the [natural] law or the ground of obligation, but the consequence of obedience to it." In other words, justice is the *standard* that must be followed if the *goal* of utility is to be achieved. It is in this sense that the utility of an action is the *result* of its rightness. It is by adhering to the latter than we attain the former.

David wrote: "In sum, the supporters of natural rights argued in this way. 'In order to figure out how to lead a good life, we need to examine human nature. If

we do so, we will discover that people require a protected sphere of activity in order to flourish. Living in a society that guarantees this sphere of activity though rights that the government cannot violate will best promote human flourishing.' Does this not raise a question? Are not people who argue in the way just described themselves appealing to social utility?"

Yes. But as I pointed out at various places in my book, this traditional approach to natural rights invoked social utility (or the public good, or the greatest happiness, etc.) as the *purpose* of legislation, not as its *standard*. Only by using natural rights as the standard of legislation can public utility (which cannot be calculated directly) be achieved.

David wrote: "Did Bodin speak of the sovereign's right to compel obedience?"

Unfortunately, I cannot say without further research whether or not Bodin referred *explicitly* to the *right* of a sovereign to compel obedience, but he certainly wrote about the "rights of sovereignty" and the "rights of majesty" at various places in *Six Books of the Commonwealth*. And in at least one instance, Bodin used the term "inalienable" in regard to the rights that constitute the "marks of sovereignty."

Here I am omitting many petty rights on which sovereign princes insist in one or another country, but which are in no way marks of sovereignty. For the latter are proper to all sovereign princes to the exclusion of all other lords having administration of justice, magistrates, and subjects; and by their very nature they are untransferable, inalienable, and imprescriptible. [24]

Since the power of legislation was one of Bodin's inalienable rights of sovereignty, I don't think it is a stretch, given the meaning of "legislation," to translate this as the inalienable right of a sovereign to compel obedience.

(3) Since Jason agreed with much of what I had to say in my book, it is difficult to find something to disagree with him about. There is, however, one issue that I would like to discuss briefly, namely Jason's distinction between "rightful freedoms" and "wrongful freedoms."

In Chapter 7 of my book (p. 139), I wrote:

This conception of freedom as a social concept is a recurring theme of liberal individualism (though it was not always consistently upheld). In linking "a state of perfect freedom" to "a

state also of equality, wherein all the power and jurisdiction is reciprocal, no one having more than another.” Locke set the stage for later liberals who attempted to express social freedom in terms of a universal principle of equality.

I then quoted Kant’s “universal law” of freedom and Spencer’s “law of equal freedom.” [25] The point here is that an important strain in classical liberalism – one with which I largely agree – conceives of “freedom” as a social state of affairs in which no coercion is present. Thus if a man points a gun at me and demands money, he is not exercising a “wrongful freedom” to steal; rather, by introducing coercion into our *relationship*, he has violated the social condition known as “freedom.” Thanks to his action, we are in a *coercive relationship* rather than in a *free relationship*.

Unfortunately, classical liberals were sometimes unclear about the meaning of “freedom,” and I can think of a number of instances in the literature that would support Jason’s distinction between rightful and wrongful freedom. Nevertheless, when liberals referred to a “free” society, they typically meant a society in which every (competent) adult is able to exercise equal rights. And implicit in this notion of *equal* rights, I believe, is the idea of equal freedom that Kant and Spencer would later formulate explicitly.

Endnotes

[18] Ludwig von Mises, *Socialism: An Economic and Sociological Analysis*, trans. J. Kahane, Foreword by F.A. Hayek (Indianapolis: Liberty Fund, 1981), 382. <http://oll.libertyfund.org/titles/1060#Mises_0069_930>.

[19] See my 1992 article for the Acton Institute, “Christianity and Liberty,” at: <<http://www.acton.org/pub/religion-liberty/volume-2-number-6/christianity-and-liberty>>. For a more detailed discussion of the Acton Thesis, see my Excursions Essay for the Cato Institute, “Lord Acton and the History of Liberty, Part 3” (March 19, 2013) at: <<http://www.libertarianism.org/publications/essays/excursions/lord-acton-history-liberty-part-3>>.

[20] *Essays on Freedom and Power*, ed. Gertrude Himmelfarb (Boston: Beacon Press, 1948), 62. This is from the same passage quoted by Ralph. The edition

on the OLL is John Emerich Edward Dalberg, Lord Acton, *The History of Freedom and Other Essays*, ed. John Neville Figgis and Reginald Vere Laurence (London: Macmillan, 1907). <<http://oll.libertyfund.org/titles/75>>.

[21] As I point out in my Cato essay (cited above), various secular historians before Acton, such as Voltaire, Condorcet, and W.E.H. Lecky, employed a similar thesis, though Acton developed that thesis more broadly and in more detail than any of his predecessors. [See also works in the OLL by Voltaire (1694-1778); Condorcet (1743-1794); William Lecky (1838-1903)].

[22] *Concerning the City of God Against the Pagans*, trans. Henry Bettenson (London: Penguin Books, 1967), 71. The edition of “The City of God” on the OLL is Philip Schaff, *A Select Library of the Nicene and Post-Nicene Fathers of the Christian Church. Vol. II St. Augustin’s City of God and Christian Doctrine*, ed. Philip Schaff, LL.D. (Buffalo: The Christian Literature Co., 1887). <http://oll.libertyfund.org/titles/2053#Schaff_1330-02_112>. [The full passage from the OLL version: “But the worshippers and admirers of these gods delight in imitating their scandalous iniquities, and are nowise concerned that the republic be less depraved and licentious. Only let it remain undefeated, they say, only let it flourish and abound in resources; let it be glorious by its victories, or still better, secure in peace; and what matters it to us? This is our concern, that every man be able to increase his wealth so as to supply his daily prodigalities, and so that the powerful may subject the weak for their own purposes. Let the poor court the rich for a living, and that under their protection they may enjoy a sluggish tranquillity; and let the rich abuse the poor as their dependants, to minister to their pride. Let the people applaud not those who protect their interests, but those who provide them with pleasure. Let no severe duty be commanded, no impurity forbidden. Let kings estimate their prosperity, not by the righteousness, but by the servility of their subjects. Let the provinces stand loyal to the kings, not as moral guides, but as lords of their possessions and purveyors of their pleasures; not with a hearty reverence, but a crooked and servile fear. Let the laws take cognizance rather of the injury done to another man’s property, than of that done to one’s own person. If a man be a nuisance to his neighbor, or injure his property, family, or person, let him be actionable; but in

his own affairs let every one with impunity do what he will in company with his own family, and with those who willingly join him. Let there be a plentiful supply of public prostitutes for every one who wishes to use them, but specially for those who are too poor to keep one for their private use. Let there be erected houses of the largest and most ornate description: in these let there be provided the most sumptuous banquets, where every one who pleases may, by day or night, play, drink, vomit, dissipate. Let there be everywhere heard the rustling of dancers, the loud, immodest laughter of the theatre; let a succession of the most cruel and the most voluptuous pleasures maintain a perpetual excitement. If such happiness is distasteful to any, let him be branded as a public enemy; and if any attempt to modify or put an end to it let him be silenced, banished, put an end to. Let these be reckoned the true gods, who procure for the people this condition of things, and preserve it when once possessed. Let them be worshipped as they wish; let them demand whatever games they please, from or with their own worshippers; only let them secure that such felicity be not imperilled by foe, plague, or disaster of any kind. What sane man would compare a republic such as this, I will not say to the Roman empire, but to the palace of Sardanapalus, the ancient king who was so abandoned to pleasures, that he caused it to be inscribed on his tomb, that now that he was dead, he possessed only those things which he had swallowed and consumed by his appetites while alive? If these men had such a king as this, who, while self-indulgent, should lay no severe restraint on them, they would more enthusiastically consecrate to him a temple and a flamen than the ancient Romans did to Romulus."]

[23] *Locke: Political Essays*, ed. Mark Goldie (Cambridge, U.K., Cambridge University Press), 79-133.

[24] *Bodin on Sovereignty*, ed. and trans. Julian H. Franklin (Cambridge, U.K., 1992), 87.

[25] [Editor: In the edition of Kant's *Science of Right* (1796) on the OLL the quote is: "Every Action is right which in itself, or in the maxim on which it proceeds, is such that it can co-exist along with the Freedom of the Will of each and all in action, according to a universal Law.' If, then, my action or my condition generally can co-exist with the freedom of every other, according to a universal Law, any one does me a wrong

who hinders me in the performance of this action, or in the maintenance of this condition. For such a hindrance or obstruction cannot co-exist with Freedom according to universal Laws." From Immanuel Kant, *The Philosophy of Law: An Exposition of the Fundamental Principles of Jurisprudence as the Science of Right*, by Immanuel Kant, trans. W. Hastie (Edinburgh: Clark, 1887). Introduction to the Science of Right. C. Universal Principle of Right. <http://oll.libertyfund.org/titles/359#Kant_0139_114>.

The quote from Spencer comes from *Social Statics: or, The Conditions essential to Happiness specified, and the First of them Developed*, (London: John Chapman, 1851), Part II, Chap. IV "Derivation of a First Principle": "This, however, is not the right of one but of all. All are endowed with faculties. All are bound to fulfil the Divine will by exercising them. All therefore must be free to do those things in which the exercise of them consists. That is, all must have rights to liberty of action. And hence there necessarily arises a limitation. For if men have like claims to that freedom which is needful for the exercise of their faculties, then must the freedom of each be bounded by the similar freedom of all. When, in the pursuit of their respective ends, two individuals clash, the movements of the one remain free only in so far as they do not interfere with the like movements of the other. This sphere of existence into which we are thrown not affording room for the unrestrained activity of all, and yet all possessing in virtue of their constitutions similar claims to such unrestrained activity, there is no course but to apportion out the unavoidable restraint equally. Wherefore we arrive at the general proposition, that every man may claim the fullest liberty to exercise his faculties compatible with the possession of like liberty by every other man." <http://oll.libertyfund.org/titles/273#lf0331_label_089>.]

2. Ralph Raico, "What Thou Meanest by Seizing the Whole Earth?"

As regards St. Augustine, he writes in *The City of God*,

Justice being taken away, then, what are kingdoms but great robberies? For what are robberies themselves, but little kingdoms? The band itself is made up of men; it is ruled by the authority of a prince, it is knit together by the pact of the confederacy; the booty is divided by the law agreed on. If, by the admittance of abandoned men, this evil increases to such a degree that it holds places, fixes abodes, takes possession of cities, and subdues peoples, it assumes the more plainly the name of a kingdom, because the reality is now manifestly conferred on it, not by the removal of covetousness, but by the addition of impunity. Indeed, that was an apt and true reply which was given to Alexander the Great by a pirate who had been seized. For when that king had asked the man what he meant by keeping hostile possession of the sea, he answered with bold pride, "What thou meanest by seizing the whole earth; but because I do it with a petty ship, I am called a robber, whilst thou who dost it with a great fleet art styled emperor." [26]

This, it must be admitted, was a profound insight into the true nature of states, and stands in sharp contrast to classical antiquity.

George admires the "laissez-faire" morality of the Roman Empire. It is possible for those with different standards to disagree. In fact, that morality was through and through pornographic. It included, for instance, the posting of erect phalluses in front of homes. Men openly carried amulets of the male genitals around their necks and touched them often, for luck. Much worse were the filthy blood games in the arena, the favorite pastime of the Roman populace. There the crowd eagerly witnessed and cheered the horrible deaths of unarmed victims as well as fighters, savoring each detail. The Church put an end to all that. One may be excused for sympathizing with G.K. Chesterton when he wrote that, given the moral standards prevalent in the Roman Empire, a period of cleansing of society was called for.

All three of the "Abrahamic" religions were persecutors when they had the upper hand. Islam, of course; Judaism at the time of Jesus and His Apostles. The

major Christian denominations were also oppressors, with the notable and noble exception of the Baptists, to their great credit. The world-historical difference that Catholicism made is this: regardless of its intentions, it played a critical role during crucial centuries in thwarting state power. This could only have been accomplished by an independent, international, and powerful Church. In this way, the Church enabled the growth of freedom and classical liberalism in the West, as testified to by the scholars I cited in my original post and left unaddressed by George.

Endnotes

[26] Philip Schaff, *A Select Library of the Nicene and Post-Nicene Fathers of the Christian Church. Vol. II St. Augustin's City of God and Christian Doctrine*, ed. Philip Schaff, LL.D. (Buffalo: The Christian Literature Co., 1887). BOOK IV. 1 <http://oll.libertyfund.org/titles/2053#lf1330-02_label_289>. This quote was also feature in one of the "Quotes of the Week" on the OLL <<http://oll.libertyfund.org/quotes/200>>.

3. George Smith replies to Ralph Raico: And the Secular Powers Checked the Church

Ralph Raico quotes a famous passage from Augustine's *City of God* and concludes: "This, it must be admitted, was a profound insight into the true nature of states, and stands in sharp contrast to classical antiquity."

Ralph's conclusion depends on what we think Augustine was saying. He was by no means condemning the state per se; on the contrary, Augustine was a big booster of the state, especially if it enforced Christian principles. His example of Alexander the Great and the pirate was taken directly from Cicero:

For when a [pirate] was asked what criminal impulse had led him to make the sea unsafe with a single little ship, he replied, "The same

impulse which has led you, [Alexander], to make the whole world unsafe.[27]

The fact that Augustine's entire discussion was based on Cicero's treatment of commonwealths indicates that he was not breaking new ground. Like Cicero, Augustine was discussing the question of whether justice is a necessary component of a true commonwealth. There have been two major interpretations of Augustine's own position, which I won't go into here, [28] but the claim that justice is required for a legitimate state was a staple of classical political philosophy, as we see in the writings of Plato, Aristotle, and (most pertinent to Augustine) the Stoics.

Ralph wrote: "George admires the 'laissez-faire' morality of the Roman Empire. It is possible for those with different standards to disagree."

I simply pointed out that Augustine did not recognize the distinction between vices and crimes – a distinction that later became a cornerstone of classical liberalism and libertarianism. According to Augustine, the institution of government, which was authorized by God as a punishment and remedy for sin, has a divine mandate to repress and punish sinful behavior. True, the category of sinful behavior includes what libertarians view as rights-violating activities, but the category also includes personal beliefs and self-regarding actions. There was nothing liberal or libertarian about Augustine's view of the proper functions of government. On the contrary, Augustine's extensive defense of "righteous persecution," according to which people may be coerced for their own good, was one of the most pernicious doctrines in the history of Western civilization. Moreover, as every libertarian knows, to say that people should be free to do x does not imply a moral sanction of x.

Ralph wrote: "The world-historical difference that Catholicism made is this: regardless of its intentions, it played a critical role during crucial centuries in thwarting state power. This could only have been accomplished by an independent, international, and powerful Church."

I agree with this analysis, as I thought I made clear in my original comment. I stated that the main value of the Catholic Church, so far as its contribution to freedom is concerned, is that it sometimes served as a countervailing power against various secular powers and thereby prevented the establishment of one cen-

tralized power throughout Europe. But this role had little or nothing to do with the ideology of the Church itself, which was as absolutist as any secular state and sometimes advocated policies that were more oppressive than those desired by secular princes. Indeed, as many historians have pointed out, the Church itself was a type of state, in substance if not in name. To quote the distinguished medieval historian R.W. Southern:

In a word, the church was a compulsory society in precisely the same way as the modern state is a compulsory society.... It had all the apparatus of the state: laws and law courts, taxes and tax-collectors, a great administrative machine, power of life and death over the citizens of Christendom and their enemies within and without. It was the state at its highest power, such as even Hegel among modern prophets of the state scarcely contemplated.[29]

If we may say that the church prevented secular powers from becoming as totalitarian as they would have liked, we may also say, with equal justification, that those selfsame secular powers prevented the church from becoming as totalitarian as it would have liked. (Acton made precisely this point.) The medieval church, according to its defenders, had legitimate jurisdiction over all of Christendom, and its more extreme defenders ("papalists") extended this jurisdiction to the entire world. I can think of no medieval defender of secular power who made a comparable claim for princes and emperors.

Endnotes

[27] Marcus Tullius Cicero, *On the Commonwealth*, trans. George Holland Sabine and Stanley Barney Smith (Indianapolis and New York: Bobbs-Merrill, n.d. [reprint of the 1929 ed. by Ohio State University Press]), 210. [The translation of Cicero on the OLL is *The Political Works of Marcus Tullius Cicero: Comprising his Treatise on the Commonwealth; and his Treatise on the Laws. Translated from the original, with Dissertations and Notes in Two Volumes*. By Francis Barham, Esq. (London: Edmund Spettigue, 1841-42). Vol. 1. Chapter: CICERO'S COMMONWEALTH.: BOOK III. <http://oll.libertyfund.org/titles/546#Cicero_0044-01_534>.]

[28] For a good discussion of this controversy, see Charles Howard McIlwain, *The Growth of Political Thought in the West: From the Greeks to the End of the Middle Ages* (New York: Macmillan, 1932), 154-60.

[29] R.W. Southern, *Western Society and the Church in the Middle Ages* (Harmondsworth, England: Penguin Books, 1970), 17-18.

4. David Gordon, "Is Social Utility Enough to Justify Natural Rights?"

I am grateful to George for his answers to my questions. One of my inquiries had to do with the contrast, drawn in George's book, between classical liberals who believed in inalienable rights that are not to be violated, and other classical liberals who believed only in a presumption of liberty. In the latter group's view, interference with liberty was usually a bad idea, but they were prepared to allow it if such interference could be shown to promote the general welfare.

That group obviously appeals to what best promotes happiness. My question was: to what extent does the former group do so as well. If one says, "Society ought to be organized so that each person is granted a protected sphere of liberties that is not to be interfered with, because doing this will be best for everyone, or nearly everyone," isn't this proposal also an appeal to social utility?

In response George says, "[A]s I pointed out at various places in my book, this traditional approach to natural rights invoked social utility (or the public good, or the greatest happiness, etc.) as the *purpose* of legislation, not as its *standard*. Only by using natural rights as the standard of legislation can public utility (which cannot be calculated directly) be achieved."

George's answer was precisely the starting point for my question. If one says that the way to advance social utility is to respect individual rights, is this not still an appeal to utility? Certainly, in this approach utility is not the standard for deciding what to do in particular cases; but it explains why the standard of rights is adopted.

To say that social utility is best promoted by respecting a sphere of rights for each person is not sufficient, it seems to me, to justify the claim that each person has certain moral, or natural, rights. That claim ascribes rights to persons owing to morally relevant properties they have: the claim is that because people are such-and-such, they ought morally to be treated in particular ways. The claim that things will go better for people if they are treated in these ways is a different one, though one may make both claims, as some classical liberals in fact did. That is, one can hold that people ought morally to be treated in certain ways, and that doing this will promote social utility. To hold, though, that rights should be the standard of legislation does not suffice to make these rights natural, or moral. (The difference between "natural" and "moral" would be another question well worth pursuing.)

5. Jason Brennan, "Consequences without Consequentialism"

Commonsense moral thinking is sensitive to consequences without being consequentialist. A consequentialist moral theory holds that the rightness and wrongness of actions is determined at a fundamental level entirely by the consequences of those actions. (Act consequentialist theories say every individual act is to be evaluated individually, while rule consequentialists say that moral codes are to be evaluated as a whole.) Most moral theories hold that consequences matter; they just aren't all that matter. So, for instance, Adam Smith thought that part of what justified the system of natural liberty, the division of labor, and free trade were the consequences of the attendant moral norms, and he also was worried about some of the potential negative consequences. (For instance, he worried that the division of labor might stultify workers.[30]) But Adam Smith rejected utilitarian theories -- he didn't think consequences were all that matter.

What justificatory role do consequences play in a classical-liberal theory? For some classical liberals, consequences are the whole story. But for most, consequences are at least part of the story. So, for instance, to simplify Locke a little, part of what justifies a system of private property is that it can be expected to be for

the benefit of all. To remove items from the commons and claim them as our own, we must leave enough and as good for others. But, Locke thinks, the system of private property, under the right institutions, can be expected to leave more and better for others, not merely enough and as good. For most classical liberals, if they became convinced that their favored institutions would have disastrous consequences from a humanitarian point of view, they would stop advocating those institutions.

If consequences matter, why not say that only consequences matter? I once heard John Yoo make the following argument:

1. Almost everyone agrees that some rights can be overridden or trumped in order to prevent catastrophic moral disasters.
2. Therefore, deep down, everyone is an act utilitarian.

Of course, 2 doesn't follow from 1. And one reason for that is that if you *care about consequences*, you don't want people to live by an act consequentialist moral code. So, for instance, John Stuart Mill argues that if you want good consequences -- such scientific progress, advancement in the arts, cultural progress, peace, and feelings of mutual respect -- then you need to allow a wide sphere of free speech *regardless* of the consequences. This may sound paradoxical. However, Mill says, the policy of only allowing beneficial speech has no history of being beneficial. The policy of allowing speech only when society judges that speech to be in its best interests has no history of being in society's best interests.

I agree with David that consequentialist concerns are usually not enough to ground basic moral rights. But I also think it's important that living by classical-liberal principles (including principles of rights) should be expected, under normal circumstances, to produce good consequences in general. Otherwise, we would see morality and justice as a kind of curse, rather than as a system that helps us live together in peace and prosperity.

Principled or Ad Hoc?

With that in mind, I have a question for George Smith. As he notes, few of the classical liberals he discusses were what he would call libertarian. They advocated some state regulation, state provision of certain

so-called public goods, state-subsidized or state-provided public education, and certain welfare-state and social-insurance programs. So, my question: Do you see these as ad hoc concessions to commonsense politics, inconsistent with the various classical liberals' fundamental moral principles? Or do you see these positions as consistent with their fundamental moral views?

Endnotes

[30] See Dennis Rasmussen, *The Problems and Promise of Commercial Society: Adam Smith's Response to Rousseau* (College Station: Pennsylvania State University Press, 2008).

6. George H. Smith, "Were Natural-Rights Theorists Consequentialists?" A Reply To Jason Brennan

Jason asked: "What justificatory role do consequences play in a classical-liberal theory?"

My short answer to this question, viewed historically, is: Consequences were indispensable to the major theories of justice in the classical-liberal tradition. Indeed, I think this answer would be virtually self-evident to every classical liberal, the deontology of Kant notwithstanding. But, as we shall see, to describe such theories as "consequentialist" is not very helpful in understanding them.

Here we must distinguish between consequentialists and utilitarians. A concern with the consequences of moral and/or just actions does not necessarily make one a utilitarian, in the strict sense. Unfortunately, I cannot pursue this distinction here, but consider Jason's mention of *act* versus *rule* utilitarianism. Although we might say that the liberal conception of rights was a type of rule utilitarianism, this categorization would be misleading in some respects, especially (as I discuss in my book) in regard to the doctrine of inalienable rights.

Although the act/rule distinction is found as early as 1785, in William Paley's influential book *The Princi-*

ples of Moral and Political Philosophy, natural-law philosophers focused more on the distinction between short-term and long-term consequences. And in the assessment of long-term consequences, they typically appealed to the fundamental nature of human beings and social interaction as the basis for their theories of justice.

A recurring theme – one found most prominently in the writings of Hugo Grotius (1583-1645) -- grounds justice in enlightened, or rational, self-interest. In the words of Richard Tuck, Grotius “went back to the principles of the Stoics ... in particular the Stoic claim that the primary force governing human affairs is the desire for self-preservation. But he interpreted this desire in *moral* terms, as the one and only *universal right*: no one could ever be blamed for protecting themselves....”[31]

Man has an “impelling desire for society,” according to Grotius, but the benefits of social interaction are conditional. Other people can harm us as well as help us, so certain conditions must be maintained if we are to reap the advantages of social interaction. Fortunately, man possesses the unique ability to reason, which Grotius describes as “the faculty of knowing and acting in accord with general principles.”[32] Reason thus enables man to formulate and act upon the general principles that set the *foundation* for a *beneficial* social order.

Foremost among these conditions is the preservation of one’s *suum*, i.e., moral jurisdiction and power over one’s life, body, and liberty. For Grotius, these spheres of moral jurisdiction are expressed in terms of *rights*, which define and delimit the use of physical force in society. Grotius would have agreed wholeheartedly with Ayn Rand’s statement that “*Individual rights are the means of subordinating society to moral law.*”[33]

According to Grotius, people form *political* societies primarily for the purpose of protecting their rights from the violent invasions of others: “the end of society is to form a common and united aid to preserve to every one his own.” Self-preservation is a fundamental right that is violated by the initiation of physical force, so self-defense is a right “which nature grants to every one.”[34] Rights “do not prohibit all use of force, but only that use of force ... which attempts to take away

the rights of another.”[35] The right of self-defense justifies the retaliatory use of force: “a person, if he has no other means of saving his life, is justified in using any forcible means of repelling an attack.”

Now consider the position of Emer de Vattel (1714-1767), whose writings on natural law were widely read in 18th-century America. Vattel was unusual among philosophers of natural law in that he attempted to ground our moral obligation to observe the rules of justice ultimately and *solely* on *self-interest*. Although Vattel agreed with Grotius that rights are necessary preconditions for a beneficial social order, he denied that our obligation to observe the rules of justice is based on some kind of concern for society. Rather, rational self-interest is the foundation of juridical obligations. Here is a summary of Vattel’s approach:

Each individual has as a general and overriding motive [for] his own self-interest, and this motive creates the obligation to which he is liable: it is an unvarying principle of his decisions, against which it would be absurd to claim that he could be made to act. But if society is useful and even necessary to him, and this society is unable to subsist without laws or general rules observed by all its members, he is obliged, by virtue of his own expediency, to follow them. He ought not even consider sacrificing them to an immediate advantage, because they are what guarantee him peaceful enjoyment of all his other goods.[36]

This brief discussion illustrates the variations to be found in the theories of justice defended by natural-law philosophers during the 17th and 18th centuries – and there are many, many more. So may these be described as “consequentialist”? Well, I suppose so, but this label doesn’t tell us much, since consequences *in some sense* were taken for granted in all such theories.

At the conclusion of his comment, Jason asked if I regard those classical liberals as inconsistent who defended state activities beyond those activities that modern libertarians would endorse. My answer is No, since (as I discuss in my book) they typically worked from a *presumption* of liberty. Their main problem, as I see it, was that these liberals rarely formulated clear principles of defeasibility, so exceptions to the presumption of liberty came fast and furious, until the presumption itself became so diffuse as to be virtually meaningless.

In short, the ideal of individual freedom died the death of a thousand qualifications.

Endnotes

[31] *The Cambridge History of Political Thought, 1450-1700*, ed. J. H. Burns and Mark Goldie (Cambridge, U.K.: Cambridge University Press, 1991), 506.

[32] Hugo Grotius, *Prolegomena to the Law of War and Peace*, trans. Francis W. Kelsey (Indianapolis: Bobbs-Merrill, 1957), 8. Another version of the *Prolegomena* is available in the Liberty Fund edition as "The Preliminary Discourse." The quote is

"But it must be owned that a Man grown up, being capable of acting in the same Manner with respect to Things that are alike, has, besides an exquisite Desire of Society, for the Satisfaction of which he alone of all Animals has received from Nature a peculiar Instrument, viz. the Use of Speech; I say, that he has, besides that, a Faculty of knowing and acting, according to some general Principles; so that what relates to this Faculty is not common to all Animals, but properly and peculiarly agrees to Mankind."

Hugo Grotius, *The Rights of War and Peace, edited and with an Introduction by Richard Tuck, from the Edition by Jean Barbeyrac* (Indianapolis: Liberty Fund, 2005). Vol. 1. Chapter: THE PRELIMINARY DISCOURSE Concerning the Certainty of Right in general; and the Design of this Work in particular. <http://oll.libertyfund.org/titles/1425#Grotius_0138.01_133>.

[33] Ayn Rand, "Man's Rights," in *The Virtue of Selfishness* (New York: Signet Books, 1964), 92.

[34] Hugo Grotius, *The Rights of War and Peace*, trans. A.C. Campbell (Washington and London: M. Walter Dunne, 1901), 33, 291. Available online at the OLL: Hugo Grotius, *The Rights of War and Peace, including the Law of Nature and of Nations, translated from the Original Latin of Grotius, with Notes and Illustrations from Political and Legal Writers*, by A.C. Campbell, A.M. with an Introduction by David J. Hill (New York: M. Walter Dunne, 1901). Quote: http://oll.libertyfund.org/titles/553#Grotius_0138_809>. Book I. CHAPTER II.: Inquiry Into the Lawfulness of War. <http://oll.libertyfund.org/titles/553#lf0138_label_011>; Book III. CHAPTER I.: What is Lawful in

War. <http://oll.libertyfund.org/titles/553#lf0138_label_085>.

[35] Quoted in Stephen Buckle, *Natural Law and the Theory of Property: Grotius to Hume* (New York: Oxford University Press, 1991), 28. This quote is also available in the Liberty Fund edition, Hugo Grotius, *The Rights of War and Peace, edited and with an Introduction by Richard Tuck, from the Edition by Jean Barbeyrac* (Indianapolis: Liberty Fund, 2005). Vol. 1. CHAPTER II: Whether 'tis ever Lawful to make War. <http://oll.libertyfund.org/titles/1425#Grotius_0138.01_239>:

"But Right Reason, and the Nature of Society, which is to be examined in the second and chief Place, does not prohibit all Manner of Violence, but only that which is repugnant to Society, that is, which invades another's Right."

[36] Emer de Vattel, *Essay on the Foundation of Natural Law and on the First Principle of the Obligation Men Find Themselves Under to Observe Laws*, trans. T.J. Hochstrasser, in Emer de Vattel, *The Law of Nations, Or, Principles of the Law of Nature, Applied to the Conduct and Affairs of Nations and Sovereigns, with Three Early Essays on the Origin and Nature of Natural Law and on Luxury*, edited and with an Introduction by Béla Kapossy and Richard Whitmore (Indianapolis: Liberty Fund, 2008), 754-55. <http://oll.libertyfund.org/titles/2246#lfVattel_label_3120>.

7. George H. Smith, "Natural Rights and Moral Autonomy": A Reply to David Gordon

David Gordon suggests that liberal defenders of inalienable rights might have justified those rights by appealing to social utility in some sense.

Let us first keep in mind that the liberal doctrine of inalienable rights first arose in regard to freedom of religion, or "liberty of conscience." Although advocates of religious freedom often argued that freedom would lessen conflicts in society, this was an ancillary argument, not a primary one.

There were several basic arguments for freedom of religion. First, this right was often said to be "inalien-

able” because it is literally impossible to transfer one’s ability to reason and form rational beliefs to another person. Thus “inalienable” in this sense refers to rights that *cannot* be transferred to another, not to rights that merely *should not* be transferred to another. If the subject of a right -- such as the ability to reason and judge -- cannot be alienated, then neither can the right associated with that subject.

Another common argument – one found in some early Christian advocates of toleration, such as Tertullian and Lactantius, as well as later liberal thinkers, such as the Levellers and John Locke – was that beliefs per se cannot be compelled. If we don’t see or understand the evidence for something, then no amount of coercion will change our minds. This was an adjunct to the first argument, presented above; in both cases the conclusion was that coercion is useless in matters of belief. Neither of these arguments appeals to social utility.

There was also the argument -- one that rose to prominence after the Protestant Reformation -- that one’s religious beliefs are exclusively a matter between oneself and God, for it is to God that we are ultimately accountable. Again, no appeal to social utility is evident here.

When the inalienable right of liberty of conscience was extended beyond religion to matters like charity – as we find in Herbert Spencer’s earliest extended defense of freedom, *The Proper Sphere of Government* (1842) – one argument was that only good works voluntarily undertaken can have moral value. But the main argument was that to trespass on the sphere of conscience was to violate the *moral autonomy* of others – to deny their moral status as rational agents, in effect. At times this moral autonomy was said to be a necessary *precondition* for the *individual* to achieve happiness, but this was not an appeal to social utility per se. Would “society” be better off if inalienable rights were respected? Yes, of course, but to call attention to the probable consequence was not part of the justification in any fundamental sense. Rather, when push came to shove, the basic contention was that there is a right way to deal with human beings and a wrong way to deal with human beings, whatever one’s estimate of the social consequences might be.

I agree wholeheartedly with David’s last paragraph: “To say that social utility is best promoted by

respecting a sphere of rights is not sufficient ... to justify the claim that each person has certain moral, or natural, rights,” etc. I think David put the matter very well.

8. Ralph Raico, "A Summing Up"

It’s time, I think, to sum up the discussion between George Smith and me, as I see it.

There is no doubt that George is learned in the thought of a number of figures highly important in the early modern history of classical liberalism and well versed on liberalism in general. I don’t find, however, that he has sufficiently considered the question I raised in my first post: “Why the West?” Why did liberalism arise in the West -- the lands that were or had been in communion with the bishop of Rome -- and not anywhere else in the world, not even in the rest of Europe, for example, in Russia?

George concedes that Christianity desacralized the state, a very great step forward from the Greeks and Romans, who deified it. The bishop of Hippo may well have derived the story of Alexander the Great and the pirate from Cicero. But it was his formulation that became famous. It so caught the eye of Noam Chomsky, the philosopher and left anarchist, for instance, that he used it as the title of one of his books.

George states that St. Augustine and other Christian leaders were prepared to use state power to persecute dissenters, which, sadly, is all too true, as I have said in previous posts. According to George, the saint “blamed the moral laissez faire of Rome” for helping to cause its downfall. I dislike the use of laissez faire in this connection, since to me it’s an honorific. George makes no mention of the blood games in the arena, the favorite entertainment of the Roman populace. This perhaps casts “Roman morality” in a more sinister light than as simply a system protecting life and property. It was the Church that put an end to these games. In the ruins of the Coliseum today stands a large Cross commemorating that event.

I find George’s discussion of “totalitarianism” curious. He says that the medieval church was totalitarian in that it claimed jurisdiction over all of Christendom and some papalists even claimed jurisdiction over the

whole world. He believes that no thinker of the time on the state's side made comparable claims for the state.

But "papalists" like Pope Boniface VIII maintained not that the Church should exercise secular power, but that secular rulers were under the authority of the pope. There was at least one medieval thinker who did argue for universal secular monarchy: Dante, in his *De Monarchia*.

When we consider the real existing totalitarian states of the 20th century, instead of the putative ones of the 12th, we discover that they were anti-Christian. The heroes who stood up against them -- Claus von Stauffenberg, who tried to kill Hitler and was executed when the plot failed, and Alexander Solzhenitsyn, who exposed the Gulag to the world and was imprisoned and then sentenced to internal exile for his pains -- were both inspired by their Christian faith.

George passes over in silence the chief occupation of kings, presidents, and the other masters of states throughout history: war. The misery that it has brought down on mankind is infinitely greater than the oppression of any church. In an important article, Joseph R. Stromberg shows that even the so-called religious wars of the 16th and 17th centuries were actually carried out by secular rulers, to further their own ends. [37] Stromberg aptly cites the social historian Charles Tilly's line: "War made the state and the state made war."

Out of self-interest, the Church thwarted the state during a few crucial centuries. It could do that because it was independent, international, and powerful. George thinks it was tending to total power, and the medievalist scholar he cites held it was already all-powerful in the early middle ages. R. W. Southern also seems to have believed it would remain so for the indefinite future. But these are speculations. History is full of surprises, and there were other forces working against Church omnipotence besides the state. It was the state that veered off towards omnipotence. We are living in a world where it is approaching that goal, and there is no longer any church that can act as a counterweight.

Endnotes

[37] Joseph R. Stromberg "Onward Secular Soldiers, Marching as to War," *The Independent Review*, vol. 17, no 3, Winter 2013, 461-65. Online at <http://www.independent.org/pdf/tir/tir_17_03_08_stromberg.pdf>. Chapter 3 of Charles Tilly, *Coercion, Capital, and European States, AD 990-1990* (Basil Blackwell, 1990) is called "How War Made States, and Vice Versa".

9. George H. Smith, "The Divinely Mandated Institution: A Reply to Ralph Raico"

Ralph Raico again says that I have not "sufficiently considered the question I raised in my first post: 'Why the West?' Why did liberalism arise in the West...?"

On two previous occasions, I said that I agree (in essentials) with Lord Acton's explanation, which is the same explanation that Ralph has proposed. I may disagree with Ralph about many things, but not with his belief that the medieval church served as an effective *institutional* barrier to the growth of absolute power in the West. Given my agreement with Ralph on this key point, I cannot understand why he needs more information.

I will add, however, that the emergence of a secular culture in the West contributed a great deal to the development of liberalism.

Ralph wrote: "George concedes that Christianity desecralized the state, a very great step forward from the Greeks and Romans, who deified it."

I originally gave a passing nod to this claim in order to avoid some technical and potentially tedious exchanges. To be more precise, the claim is true in part and untrue in part. All this depends on which Greeks and Romans we are talking about, as well as the time period in question. Aristotle, for example, did not "deify" the state, nor did Epicureans and Stoics. But (as I have explained in previous comments) many Christian theologians, including Augustine, viewed government

as a divinely mandated institution -- a punishment and remedy for sin. So this matter ultimately reduces to what we mean by “desacralize.”

Ralph wrote: “George makes no mention of the blood games in the arena, the favorite entertainment of the Roman populace. This perhaps casts ‘Roman morality’ in a more sinister light than as simply a system protecting life and property.”

I never said anything about Roman moral practices or culture. I simply pointed out that Augustine opposed the notion that a person “should be free to do as he likes about his own, or with his own, or with others, if they consent.” I wasn’t aware that “blood games in the arena” were voluntary activities between consenting adults.

Ralph wrote: “I find George’s discussion of ‘totalitarianism’ curious. He says that the medieval church was totalitarian in that it claimed jurisdiction over all of Christendom and some papalists even claimed jurisdiction over the whole world. He believes that no thinker of the time on the state’s side made comparable claims for the state.”

Ralph goes on to say: “There was at least one medieval thinker who did argue for universal secular monarchy: Dante, in his *De Monarchia*.”

Dante recommended universal monarchy as an *ideal* (primarily as a way to end war); he did not claim that any emperor of his time *actually* possessed such jurisdiction. The papalists, in contrast, claimed universal authority for *existing* popes. In addition, Dante’s ideal monarch did not possess anything like the absolute power that papalists bestowed upon the pope.

Ralph wrote: “But ‘papalists’ like Pope Boniface VIII maintained not that the Church should exercise secular power, but that secular rulers were under the authority of the pope.”

The “plenitude of power” was a traditional Catholic doctrine that invested popes with jurisdiction over *both* temporal and spiritual affairs. The theory was that popes delegated certain tasks to temporal rulers -- an act that was symbolized by the anointing of rulers. To delegate a power is not to renounce one’s ultimate authority over that sphere. Christendom was regarded by papalists as one society, one Christian Republic, with the pope at its head.

The theory that church and state are two independent powers, each with its own legitimate sphere of authority, was most often defended by *critics* of the Catholic Church. Liberal secularists in particular -- those who opposed any kind of established church -- maintained that the church should have no coercive authority whatsoever; it should confine itself to the sphere of voluntary beliefs, practices, and so forth. It took centuries for the church to catch up with this essential libertarian tenet.

Ralph mentioned some heroes who, “inspired by their Christian faith,” stood up against 20th-century totalitarian states. Well, shall we compile a list of those people who, inspired by *their* Christian faith, committed unspeakable acts of cruelty and mass murder? The list would be a long one. It is fortunate that those earlier criminals did not have access to 20th-century weaponry and technology. True, it was more laborious and time-consuming to depopulate entire towns and cities with mere swords, but they did what they could with what they had. Moreover, it is no longer acceptable to excuse the atrocities of the Nazis and Soviets, whereas apologists for church atrocities are not nearly as rare. (Lord Acton, though himself a Catholic, relentlessly denounced historical whitewashing of the church.)

Ralph wrote: “George passes over in silence the chief occupation of kings, presidents, and the other masters of states throughout history: war. The misery that it has brought down on mankind is infinitely greater than the oppression of any church.”

Why is this even relevant to this discussion? As an anarchist, I don’t need to be tutored in the atrocities of states. In the 19th century, the liberal historian W.E.H. Lecky wrote that “the Church of Rome has shed more innocent blood than any other institution that has ever existed among mankind.” I freely concede that things have changed dramatically since the time Lecky wrote his comment. I freely concede that the church is no longer in first place, or anywhere close.

Ralph wrote: “In an important article, Joseph R. Stromberg shows that even the so-called religious wars of the 16th and 17th centuries were actually carried out by secular rulers, to further their own ends.”

In part, yes. But though some secular rulers used religion as a cover, the ferocious emotions that motivat-

ed the horrors of those wars were rooted in religious beliefs and differences. Nationalism wasn't much of a factor during the 16th and 17th centuries, but religion was. Massacring heretics was a popular blood sport among Catholics and Protestants alike.

Ralph wrote: "History is full of surprises, and there were other forces working against Church omnipotence besides the state. It was the state that veered off towards omnipotence. We are living in a world where it is approaching that goal, and there is no longer any church that can act as a counterweight."

At least the church no longer bestows divine grace on mass murderers by anointing them. We may take some comfort in that.

10. Jason Brennan, "Christianity and Liberalism"

As a matter of fact, liberalism developed in a Christian culture. One can find elements of most western philosophical ideas in other culture's philosophical traditions, but widespread liberalism appears in western culture under Christianity, and not elsewhere. As Ralph Raico has indicated, there seem to be clear intellectual sources in Christianity for liberalism, the most importance of which is the desacralization of the state.

When I was writing *A Brief History of Liberty* with David Schmidtz, I was struck by how fragile the path toward liberalism seemed. It's easy in retrospect to tell Whiggish history -- though I'm not accusing anyone here of that -- but it's also easy to see how the elements of western Christian culture that help explain why liberalism developed could easily have failed to have led to liberalism.

1. Consider: as Perez Zagorin notes,[38] while Christianity might now be considered among the most tolerant of religions, at the time it developed, it was much less tolerant than the religions around it. Greek and Roman religion was pluralistic and disunified. There were many gods with many different names, a wide variety of cults, but no doctrine taken as official. Roman religion was largely syncretic. There were no official sacred texts. In general, most religious views

were permitted, provided they could be integrated with other religious views.

Ancient Mediterranean societies tended to hold that their religions were largely the same. They weren't entirely mistaken. Given cultural exchanges and similar ethnic backgrounds, they did tend to have similar mythologies. The Greek Zeus, Roman Jupiter, and Etruscan Tinia were largely the same god with the same stories. Still, partly they were made the same God because the Greeks and Romans were committed to viewing each others' gods as the same. So, syncretism was partly accurate mythology and partly self-fulfilling prophecy.

The reason that early Christians were persecuted in Rome (keeping in mind the degree of their persecution is exaggerated by Christians) was because of their refusal to integrate. Christians were exclusivists. In their understanding of themselves, their God was not some variation of Zeus. (Their understanding of themselves was not completely accurate, as both Judaism and Christianity grew out of and adopted pieces of pagan religions.) The Christian refusal to assimilate made them seem to be a threat.

The ancient Greeks and Romans lacked a firm concept of freedom of religion in part because they lacked a firm concept of heresy. One crucial distinction is between heretics and heathens. The heathen, e.g., the pagan or the Jew, rejects the Catholic Church's teachings, or often simply has not accepted them. The heretic, however, is normally considered worse, because the heretic *perverts* official doctrine. Jews, for instance, deny the divinity of Christ, but they belong to another religion. A heretic, however, accepts most official doctrine, but rejects certain pieces. In some sense, the heretic agrees with most of the Church's doctrine, while the heathen disagrees. However, the heretic is considered more evil, because he is considered to have heard God's word (as pronounced by the Church) and rejected it, while the heathen is considered not to have heard. More politically, heresy is a form of treason against the Church's authority. Heathens, on the other hand, are enemies of the Church, but at least are not traitors.

2. Scottish Calvinist reformer John Knox was no friend of liberty -- he advocated the usual bans on theater and music, and even succeeded in limiting people's

freedom to move from one parish to another without permission.

Knox decided he wanted the Scots to become God's Chosen People, and so moved to instantiate public education. He wanted everyone to be able to read the Bible, in order to confront the Word of God, and God himself, as individuals, rather than through intermediaries like the Church. But the problem with teaching people to read -- and he was immensely successful in that -- is that they might read and think about much more than you want them to. And so, Knox inadvertently sowed the seeds of the Scottish Enlightenment, by helping to create a culture in which even bakers and butchers were checking philosophy books out of local libraries.

3. Both Zagorin and Herbert Butterfield,[39] among others, claimed that freedom of religion in the West resulted in part out of exhaustion from the Wars of Religion. Zagorin goes further than Butterfield in articulating how people came to have a genuine commitment to freedom of religion rather than just a mere lack of will or means to keep fighting. And historians tend to regard most of our current-day commitments to civil liberties as outgrowths and generalizations of freedom of religion. But, then, imagine what might have happened if one side had won decisively early on.

4. Christianity desacralized the state, and yet we have had authoritarian, invasive, and illiberal Christian polities for 1200 years. I don't want to gloss over all the things that happened in the first thousand years after the fall of Rome, but just consider that if one knew everything that had happened in Europe up until, say, 1450 AD, one could not easily predict the rise of liberalism.

I'm not so sure what the lesson is here -- just that there must be some lesson to be learned.

Endnotes

[38] Perez Zagorin, *How the Idea of Religious Toleration Came to the West* (Princeton: Princeton University Press, 2003).

[39] Herbert Butterfield, *Toleration in Religion and Politics* (New York: Council on Religion and International Affairs, 1980), pp. 4-8.

11. Ralph Raico, "My Final Word"

George Smith says that he agrees with Lord Acton and me on the importance of the Church in thwarting the rise of the state to omnipotence. I won't quote Lord Acton here, his statement can be found in my first post, "Why Only in the West?" But I wonder if George understands the full implications. It was the Church that helped set the stage for the rise of liberalism and the whole new way of life that followed in the West. He harbors such an implacable hostility to Roman Catholicism that he never gives it the credit it's due.

George cites some philosophers in ancient times who did not deify the state. The point, though, is that the Greek and Roman *people* -- the *societies* of those times -- did. He brings up "Roman morality," but chooses to discuss it only in his own restricted terms. Maybe he was unaware of the role of the Church in stopping the blood games in the arena, where the crowd enjoyed its greatest thrills, or maybe he was unaware of the games in the first place.

George states that Dante favored universal monarchy merely as an ideal without actually naming any particularly ruler who espoused it. In fact, the great poet maintained that the Holy Roman Emperor had authority over all of mankind, receiving that authority directly from God. As Liberty Fund puts it, in its online edition of *De Monarchia*, Dante held that "Christ in dying confirmed the jurisdiction of the Roman Empire over all humanity."

Attempting to rebut Joseph Stromberg's article showing that the so-called religious wars of the 16th and 17th centuries were in fact political wars waged by secular rulers, George writes, "the ferocious emotions that motivated the horrors of those wars were rooted in religious beliefs and differences." Unfortunately, he provides no evidence for this claim.

On war and the state, George feels he doesn't need to be "tutored" on state atrocities. I think he does. We are comparing the evils committed by the Church and

the state. The Roman and Spanish Inquisitions together executed some few thousands over centuries. Leaving aside the earlier, essentially political, wars, here are some more modern examples of the horrors committed by states and their military forces: The U.S. army in the Philippines (some 200,000 dead Filipinos), the Japanese army in Nanking and the Wehrmacht in Russia and the Ukraine, the British and American air forces over Hamburg, Dresden, Hiroshima, and Nagasaki, and now American drones all over the Muslim world.

Keeping to his agenda of not crediting the Catholic Church, George makes no mention of popes like Gregory VII, who denounced secular rulers in ferocious, contemptuous terms. Nor does he mention St. Thomas Aquinas. St. Thomas, recognized by the Church as its chief theologian, promoted Aristotelianism, and his *Summa Theologica* was set forth in strictly logical form. His formula was to follow reason as far as it could go, and then faith comes in. Through Thomism rationality permeated all the Catholic controlled schools and universities of Europe, and was a permanent contribution to our civilization.

And that's all I have to say.

12. David Gordon, "The Anarchy Game"

One of the most valuable contributions in George's book is his account of what he calls "the Anarchy Game." Writers on political theory have often attempted to show that the positions of their opponents led to anarchy. If this could be done, they thought, they would have exposed a fatal flaw in these positions. "For centuries, the epithet 'anarchy' served the same function in political debates that 'atheism' served in religious debates. If one could show that the theory defended by one's adversary logically ended in anarchy, then that theory stood condemned and nothing more needed to be said against it." (97)

George shows that this pattern of argument was especially important in the 17th and 18th centuries. Robert Filmer, defending royal absolutism, claimed that consent theories of government failed to accomplish their goal of providing a justification for government. No government could pass the tests that genuine

consent requires. Locke, in response to Filmer in the *First Treatise*, turned the tables on his predecessor. The absolute sovereign defended by Filmer was in an anarchical relation with everyone else in his society, because he could not be held legally responsible for his acts.

George maintains that Edmund Burke "played the Anarchy Game with great skill" (108) and he offers a penetrating discussion of Burke's criticism of natural rights. He says of Burke's early work *A Vindication of Natural Society* that "Burke of course intended this as satire; by embracing the anarchistic implications of consent theory, he was attempting to illustrate its absurdity." (p.109) Here George differs with Murray Rothbard, who argued in a notable article that Burke's work was seriously intended. ("A Note on Burke's Vindication of Natural Society," *Journal of the History of Ideas*, January 1958, 114-18.) Most Burke scholars differ with Rothbard, although Isaac Kramnick, in *The Rage of Edmund Burke* (New York: Basic Books, 1977), mentioned with sympathy Rothbard's interpretation. I'd like to ask George for his comments on this piece. I'm sure he rejects its thesis, but it would be good to have his thoughts about the article.

What was an absurd implication for Filmer was willingly embraced by Lysander Spooner and a few other radical individualists of the 19th century. If legitimate government required actual consent, but no actual government met this requirement, then existing governments were illegitimate. What was formerly taken to be an absurd implication of consent theory was willingly embraced. I'd like to call attention to a parallel in the history of science, elaborated with enormous learning in Amos Funkenstein's great *Science and the Theological Imagination* (Princeton, N.J., Princeton University Press, 1986), to my mind one of the masterpieces of 20th-century historiography. Funkenstein shows that premises, taken to be absurd, that were used in thought experiments were sometimes adopted by later writers in their theories of the actual world. Such premises proved of especial importance in the theory of motion. Evidently both in science and political theory, it sometimes happens that "the stone that the builders rejected has now become the cornerstone." (Psalm 118:22).

13. George H. Smith, "When Did the Church Defend Freedom of Conscience?" A Final Reply to Ralph Raico

Ralph Raico wonders if I understand the “full implications” of a passage he quoted from Lord Acton – a passage that I quoted from as well. Unfortunately, Ralph failed to quote a crucial part of that passage, a part in which Acton said that “if the struggle had terminated speedily in an undivided victory, all Europe would have sunk down under a Byzantine or Muscovite despotism. For the aim of both contending parties was absolute authority.”

Even in the part quoted by Ralph, Acton says that we owe the rise of civil liberty, not to the Catholic Church per se, but to that “conflict of over four hundred years” between the church and various secular powers. Acton knew better than to attribute liberal ideas to the church of that era; it sought “absolute authority,” just as various secular powers did, and it was the resulting *conflict* that prevented any one power from gaining absolute power. I agree that this *institutional* conflict among competing powers resulted in something of a stalemate for a long time, but this doesn’t mean that the Catholic Church was some kind of pro-freedom, liberal organization.

To address one of the points Ralph makes, let us take a brief glance at Gregory VII. We should keep in mind that, in his *Dicatus Papae* (#19), Gregory claimed that the pope “may be judged by no one.”[[40] This reflected the absolutist pretensions of the papalists, which included the right to depose kings and emperors. Thus after Gregory had excommunicated Henry IV, he called upon German princes to unseat him, so his detestation of secular powers extended only to those rulers who refused to obey the church. As Tierney and Painter put it: “Kings and feudal princes were to him essentially police chiefs who had the duty of using coercive force to achieve objectives laid down by the church.... He did not covet the policeman’s office. He regarded it as beneath his dignity.”[41]

Now, I don’t wish to be misunderstood here. I think that the Papal Revolution (as it is sometimes called) was a good thing for Europe, since it maintained the independency of the church and thereby prevented a dangerous concentration of political power. But we need to keep things in perspective. The church was

seeking to maintain its position of power, as were various secular rulers. And, as with various secular rulers, the church sometimes used that power for evil purposes.

According to Ralph, “We are comparing the evils committed by the Church and the state.” I’m afraid that this “we” does not include me, for I completely agree that states throughout history, collectively considered, murdered far more people than the church ever did. It is also true that Stalin murdered far more people than Pol Pot ever did, but I don’t regard this as a mark in Pol Pot’s favor.

Let us agree, for the sake of argument, with Ralph’s lowball estimate that the church was responsible for the murders of *only* a few thousand people during various inquisitions. Even putting aside all the tortures and imprisonments that didn’t result in executions, that is still a lot of murders. I find myself unable to locate liberal tendencies in an institution that was directly responsible for a few thousand murders, most of which were extremely gruesome.

The church never had much of an army, so, as Ralph surely knows, it frequently called on secular powers to do its dirty work. It is therefore quite facile (as Acton repeatedly pointed out) to absolve the church of any responsibility for the resulting horrors of war. Whom, for example, does Ralph suppose the Catholic Church backed during the 16th-century Dutch Revolt, as King Philip II of Spain and his henchman, the Duke of Alba (or Alva) – the fanatical Catholic commander of the Spanish army in the Netherlands – went on their murderous rampages? Among other complaints, such as burdensome taxes, the Dutch did not want the Inquisition brought into their country, and they paid a heavy price in blood and treasure for their desire to be left alone. So where was the liberal outrage of the Catholic Church during all this?

Moreover, the church sometimes gave its blessings in retrospect to mass murderers. Consider the Albigensian crusade in southern France – in particular the horrendous massacre of heretics (men, women and children) in Béziers (1209). Upon hearing this good news, Pope Innocent III (one of the supposedly great pontiffs) was ecstatic. This massacre, Innocent pointed out, was a double blessing: wicked heretics (the Cathars) were being killed, and their killers were that much closer to attaining salvation.

God hath mercifully purged his people's land and the pest of heretical wickedness ... is being deadened and driven away.... Wherefore we give praise and thanks to God Almighty, because in one and the same cause of his mercy, He hath deigned to work two works of justice, by bringing upon these faithless folks their merited destruction, in such a fashion that as many as possible of the faithful should gain their well-earned reward by the "extermination" of these folk.[[42]

Consider one more example: the Massacre of St. Bartholomew. This wholesale massacre of Huguenots (French Calvinists) began with the attempted assassination of a Huguenot leader, Gaspard de Coligny, in Paris (22 August 1572). On the morning of 24 August, several dozen other Huguenot leaders were murdered, after which the violence escalated throughout Paris. Then, to quote the historian J.H. Elliott, "Within a few hours Coligny and two or three thousand of his fellow-Huguenots had been butchered in the capital, and it was not long before the anti-Protestant frenzy was spreading through France." [43]

Historians disagree over the role played by Catherine de Medici in these events, but she and her Catholic advisers (the Guises) certainly planned the assassination of Coligny, and, at minimum, the Guises were behind the second stage of the plot. After that, however, popular religious hatred got out of control and led to mass killings that even French officials could not stop.[44]

I wish to make two points here.

First, when, in an earlier reply to Ralph, I noted the widespread religious hatred that fueled the Wars of Religion in post-Reformation Europe, he chided me for failing to present any "evidence" for my claim. Never mind that Ralph does not hesitate to generalize about what the common people in ancient Rome and Greece supposedly believed about the state, and that he does so without providing a scintilla of evidence for this and sundry other claims.

I find it hard to believe that an accomplished historian, as Ralph certainly is, would question the commonplace observation that post-Reformation Europe was rife with religious prejudice and hatred, and that those intense feelings had a lot to do with the violence of that period. But if Ralph does need evidence, I would suggest that he begin with the widespread anti-Protestant frenzy that precipitated most of the thou-

sands of murders (possibly as many as 7,000, according to some estimates) during those horrible days in August 1572, and then go from there.

Second, and more important for our purpose, was the role of the Catholic Church in the Massacre of St. Bartholomew. Here again historians disagree (though Lord Acton believed that the papacy was probably complicit in the early stage). At the very least, however, we know that "Gregory XIII was duly delighted, and had a special medal struck to commemorate the great event." [45] Thus, instead of merely toting up the number of murders for which the church was *directly* responsible, we should also take into account the many more murders – including some outright massacres -- that merited its approval. Any institution that would strike a medal to commemorate the indiscriminate slaughter of thousands of innocent people should not be praised as a harbinger of liberalism.

We need to ask: When did the church defend freedom of conscience, freedom of speech, freedom of the press, freedom of commerce, and other classical liberal/libertarian values? Although some *individual* Catholics defended these values from time to time, the church itself lagged behind Protestants and secularists in such matters, often by centuries. The church, depending on the circumstances, has been both a force for good and a force for evil, but it was *never* a defender of the classical-liberal agenda.

I have not mentioned some of Ralph's points, such as the correct understanding of Dante – we still disagree on this, though it is a pretty minor dispute – but I have attempted to cover the major issues. My thanks to Ralph for participating in this discussion

Endnotes

[40] For this document, see Brian Tierney, *The Crisis of Church and State, 1050-1300, with selected documents* (Englewood Cliffs, N.J.: Prentice-Hall, 1964), 50.

[41] Brian Tierney and Sidney Painter, *Western Europe in the Middle Ages, 300-1475*, 4th ed. (New York: Alfred A. Knopf, 1983), 231.

[42] Quoted in G.G. Coulton, *Inquisition and Liberty* (Boston: Beacon Press, 1959), 103-4.

[43] J.H. Elliott, *Europe Divided, 1559-1598* (New York: Harper and Row, 1968), 220.

[44] For a detailed account, see Mack P. Holt, *The French Wars of Religion, 1562-1629*, 2nd ed. (New York: Cambridge University Press, 2005).

[45] Elliott, 220.

4. ADDITIONAL READING

Online Resources

We have works by the following authors on the OLL website:

- Lord Acton (1834-1902)
- St. Thomas Aquinas (1225-1274)
- St. Augustine (354-430)
- Edmund Burke (1729-1797)
- Cicero (106-43 BC)
- Dante Alighieri (1265-1321)
- A.V. Dicey (1835-1922)
- Sir Robert Filmer (1588-1653)
- Otto von Gierke (1841-1921)
- Hugo Grotius (1583-1645)
- Thomas Hobbes (1588-1679)
- Thomas Jefferson (1743-1826)
- Immanuel Kant (1724-1804)
- Lactantius
- William Lecky (1838-1903)
- The Levellers
- John Locke (1632-1704)
- John S. Mill (1806-1873)
- Ludwig von Mises (1881-1973)
- William Paley (1743-1805)
- Samuel von Pufendorf (1632-1694)
- Adam Smith (1723-1790)
- Herbert Spencer (1820-1903)
- Lysander Spooner (1808-1887)
- The Stoics
- Tertullian (155-230)
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Other Related Links:

- Topic: Magna Carta
- Debate: The Divine Right of Kings vs. Individual Rights

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6. JOHN BLUNDELL, “ARTHUR SELDON AND THE INSTITUTE OF ECONOMIC AFFAIRS” (NOVEMBER, 2013)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty during the month of November, 2013. The online version of the discussion can be found at <http://oll.libertyfund.org/pages/seldon-and-the-iea> and ebook versions at [/titles/2579](http://oll.libertyfund.org/titles/2579).

Summary

John Blundell, who headed the IEA between 1993 and 2009, discusses the contribution of Arthur Seldon (1916-2005) to the success of the London based Institute of Economic Affairs in spreading free market ideas in Britain. He attributes much of its success to Seldon’s rigorous editing of material which turned technical economic language into jargon free prose which was readable by any educated person. In addition, Seldon’s vision was to secure the IEA a place midway between academia and the production of actual government policies. Responding to Blundell are Stephen Davies who is presently education director at the Institute of Economic Affairs, Peter Boettke who is a Professor of Economics and Philosophy at George Mason University, Fairfax, Virginia, and Nigel Ashford who is the Senior Program Officer at the Institute for Humane Studies in Arlington, Virginia. Ashford delves deeper into Seldon’s skill as an author and editor, Davies asks whether there can ever be another Seldon given the current structure of universities, and Boettke ponders why a similar entity has never emerged in the United States and what this says about the task of changing ideas about the role of government there.

The Debate

The online discussion consists of the following parts:

1. **Lead Essay:** John Blundell, “Dr. Arthur Seldon CBE and the IEA” [Posted: November 1, 2013]

2. Responses and Critiques:

1. Stephen Davies, "Is Another Arthur Seldon Possible Today?" [Posted: 6 November, 2013]
2. Peter J. Boettke, "Why No IEA in the United States?" [Posted: 8 November, 2013]
3. Nigel Ashford, "Arthur Seldon as Author" [Posted: 9 November, 2013]

3. The Conversation:

1. John Blundell, "Imagining Arthur Seldon Today" [Posted: November 11, 2013]
2. Nigel Ashford, "Where Is the Intellectual Progress?" [Posted: November 15, 2013]
3. Peter Boettke, "Captured by Whom and for What Purpose?" [Posted: November 18, 2013]
4. John Blundell, "You Are the Cause of All My Troubles!" [Posted: 25 November]
5. Stephen Davies, "What Work Would Arthur Seldon Be Encouraging Today?" [Posted: 25 November]
6. Stephen Davies, "Five Kinds of Think Tanks" [Posted: 26 November]
7. Nigel Ashford, "IEA v. Heritage" [Posted: 27 November]

About the Authors

John Blundell is author of *Waging the War of Ideas*; *Margaret Thatcher: A Portrait of the Iron Lady*; and *Ladies for Liberty: Women Who Made a Difference in American History*. He is a Visiting Fellow at The Heritage Foundation and Distinguished Senior Fellow at the Institute of Economic Affairs. He is a graduate of the London School of Economics and holds honorary doctorates from the University of Buckingham and Universidad Francisco Marroquin. He is a former president of the Institute for Humane Studies at George Mason University, the Atlas Economic Research Foundation, and the Charles G Koch Foundation.

Nigel Ashford is the Senior Program Officer at the Institute for Humane Studies. He joined IHS from the United Kingdom where he was professor of politics and Jean Monnet Scholar in European Integration at Staffordshire University, England. Dr. Ashford has also directed the Principles for a Free Society Project at the Jarl Hjalmarson Foundation in Sweden, and was a Bradley Resident Scholar at the Heritage Foundation and Visiting Scholar at the Social and Philosophy Policy Center in Bowling Green. He is a recipient of the International Anthony Fisher Trust Prize for published work which strengthens public understanding of the political economy of the free society. He has lectured in 16 countries. He is author of *Principles for a Free Society* (Jarl Hjalmarson Foundation, 1999, 2003), which is available in six languages. He is co-author of *US Politics Today* (Manchester University Press, 1999); *Public Policy and the Impact of the New Right* (St Martin's Press, 1994) and *A Dictionary of Conservative and Libertarian Thought* (Routledge, 1991), and numerous articles on how ideas influence US politics.

Peter Boettke is University Professor of Economics and Philosophy at George Mason University and the BB&T Professor for the Study of Capitalism at the Mercatus Center. He is the author most recently of *Living Economics: Yesterday, Today, Tomorrow* and has been the editor of the *Review of Austrian Economics* since 1998.

Stephen Davies is education director at the Institute of Economic Affairs in London. Previously he was program officer at the Institute for Humane Studies

(IHS) at George Mason University. He joined IHS from the United Kingdom, where he was senior lecturer in the department of history and economic history at Manchester Metropolitan University. He has also been a visiting scholar at the Social Philosophy and Policy Center at Bowling Green State University, Ohio. A historian, he graduated from St. Andrews University in Scotland in 1976 and gained his Ph.D. from the same institution in 1984. He has authored several books, including *Empiricism and History* (Palgrave Macmillan, 2003), and was coeditor with Nigel Ashford of *The Dictionary of Conservative and Libertarian Thought* (Routledge, 1991).

1. LEAD ESSAY: JOHN BLUNDELL, “DR. ARTHUR SELDON CBE AND THE IEA”

“China will go capitalist. Soviet Russia will not survive the century. Labour as we know it will never rule again.” Arthur Seldon, *The Times*, August 6, 1980.[1]

As director general at the Institute of Economic Affairs (IEA) in London (1993-2009), I positioned photos of its four founders above the fireplace in the L-shaped first floor (or ground floor as the British say) board room at 2 Lord North Street. When we had visitors new to the IEA, I would point at the four and clockwise from about 10 o'clock move my finger saying, “Here is the IEA in nine words”:

Hayek advised Fisher [1 o'clock].
Fisher recruited Harris [4 o'clock].
Harris met Seldon [7 o'clock].

And between the mid-1940s and early 1960s that is exactly what happened.

Antony Fisher read *The Reader's Digest* condensed version of *The Road to Serfdom* in April 1945 and sought out its author F. A. Hayek at the London School of Economics. Hayek's office was about halfway between Fisher's at the Ministry of Defence on Whitehall and Waterloo Station from which he commuted home. Hayek was by then drafting *The Intellectuals and Socialism*. He told Fisher rather than entering politics, he should create a vehicle to reach the intellectuals with reasoned argument, since their influence would prevail. (Hayek later claimed no memory of the meeting – Fisher's was very detailed. On balance I fully believe Fisher, because he recalled quaking as he walked to Hayek's door -- having to pass the room occupied by Harold Laski.)

Fisher had no clue what to do with this advice and no really easily available money, but he did meet the economist Ralph Harris in the very late 1940s and shared the idea of a Fabian Society for nonsocialists. Enthused, Harris told the slightly older man: When you've got the money together I'd like to run the operation.

Fisher went on to build a company that sold in the 1960s for £21 million (£250 million today). In 1955 he

and two friends incorporated the IEA as a charity, and that same year published its first book, *The Free Convertibility of Sterling* by George Winder, advocating freely floating currency exchange rates, a radical idea for the time. It sold out. Henry Hazlitt reviewed it favorably in Newsweek.

Emboldened by this success, he sought out Harris in the summer of 1956 and asked him to return from Scotland to London to build the IEA. Harris agreed and opened up shop on Jan. 1, 1957. It was a part-time one-man operation. For a young man with a wife and three children, this was a truly bold move -- “mad,” as he once said to me. It amounted to a few pounds a week from Fisher and plenty of time to freelance.

At this point Hayek was well out of the picture, at the University of Chicago, and a real debate emerged between Fisher and Harris. Fisher loved short, popular, easy-to-read pieces, such as articles in *The Reader's Digest* or the products of the Foundation for Economic Education (FEE) in Irvington-on-Hudson, New York, which he would mark up and send to Harris. The latter seems to have been unsure or torn among the approaches of his last three jobs, namely, working in politics for the Conservative Party, lecturing at St. Andrew's University, and writing in the opinion columns for a prominent Scottish newspaper.

Enter Arthur Seldon.

He was born on May 29, 1916 (died October 11, 2005) in the working-class East End of London to Jewish immigrant parents, Pinchas and Masha Margolis, from the Ukraine and named Abraham. His parents died in the 1918 Spanish flu epidemic, and Abraham and his four older siblings were split up. Fortunately he was adopted by a local childless cobbler and his wife, Marks and Eva Slaberdain, rather than being institutionalized like his siblings.

Now Abraham Slaberdain, he received a good education mostly due to the determination of his new mom (who on being widowed married a local elderly tailor so as to assure Abraham's future), and he entered the London School of Economics already market-leaning because of his high school history teacher. (His older brother Cecil Margolis eventually achieved national fame as a councilman in Harrogate, Yorkshire, where he sat as a Whig and opposed the growth of the state.)

Abraham grew up in a society where one worked hard and assumed personal responsibility while looking after others with quiet private acts of charity. When his adoptive father died, it turned out he had a private insurance plan with a welfare association, and his adoptive mother received a reasonably big check. She worked hard, and the local Jewish community helped out before she remarried. Abraham grew into his teens in an atmosphere of entrepreneurship and self-help, rather than reliance on the state.

Abraham legally became Arthur, and then as World War II approached, he changed Slaberdain to Seldon on the urging of an LSE professor who worried about what might happen to Jews if Hitler were to invade. How very prescient of the professor!

At LSE Arthur fell under the spell of four great classical-liberal economists: Hayek, Arnold Plant, Ronald Coase, and Lionel Robbins, serving for a time as Plant's research fellow. It was then that he met economist Basil Yamey.

War took Arthur to North Africa and involvement in the invasion of Italy. While stationed in Italy, he developed a serious elbow infection, so serious that he needed surgery and was told that his joint would have to be fixed in one position and would not in future bend. The doctor asked Arthur what he did in peacetime. "I am a writer and editor," he replied. So the arm was set accordingly. Postwar he worked in journalism as editor of *Store*, a magazine catering to shop owners, and then as chief economist for eight years for a brewing-industry trade association. He also did some teaching and examining, and was a middling prominent member of the Liberal Party, already tilting at windmills. For example he tried to persuade brewers not to "tie" pubs into buying only certain products – he wanted "free" houses. In U.S. terms bars should be free to serve Pepsi and Coke, not just one of the two.

Soon after Harris reached London, Lord Grantchester, a Liberal peer who knew of this new creature called IEA, introduced him to Seldon and a brilliant although sometimes strained partnership emerged.

Seldon quickly resolved the Harris-Fisher tension over format, producing a paper entitled *Pensions in a Free Society* (1957). It became the model for jargon-free economics in well-written English, fully footnoted, with a reading list and questions for class discussion.

Math and statistics were not prohibited, but were suitably boxed away so as not to detract from the flow of the argument. The idea was to make material accessible to the educated layperson while still being of use to the expert and in the classroom. It was a truly brilliant concept.

Fisher, however, got a bit grumpy about it, asking, "This is all so dull – why can't I have more fun for my money?" But as Arthur gradually and cautiously eased from brewing to think-tanking, the model began to work.

Arthur finally committed to full-time at the think tank (with a nice pay rise), and for close to three decades masterminded the editorial output, albeit with helpful input from Harris, who was no slouch at economics. He had earned top honors and could spot talent and topics too.

Oddly enough, a company called Harris and Sheldon (with an 'h') supported the IEA and its market niche, fitting out the interiors of shops with shelving and the like. Ralph would cleverly call the IEA "Harris and Seldon" and would state that while he was out front selling the goods, Arthur was in the back making them and stuffing them on the shelves.

The division of labor was simple. Seldon since childhood had a rather pronounced stutter. This left Harris, from the 1950s well into the '80s as the front man for the IEA, and that perhaps explains some of the tensions that arose.

Later Harris was awarded a peerage as Lord Harris of High Cross. Arthur did not help his case for a major title when Margaret Thatcher came to lunch at the IEA soon into her first term. Ralph proposed a generous, fulsome toast; Arthur said *sotto voce*, "Well, I'll take a sip!" She heard, she glared, and I am sure the relevant body received a message.

At any rate, Arthur received a CBE (Commander of the Most Excellent Order of the British Empire); Fisher was knighted; and Hayek was awarded a Companion of Honour. "You created the atmosphere which made our victory possible" was Margaret Thatcher's verdict in 1979, or later in 1987: "They were the few; but they were right; and they saved Britain."

Very Churchillian Battle of Britain stuff! As in: "Never in the field of human conflict was so much owed by so many to so few." Fisher had been a Hurri-

cane pilot in III Squadron in that very battle, where he saw his brother Basil go down to his death; he bailed out but his parachute was aflame.

Arthur's daily task for three decades was to spot good men and women (sometimes young, sometimes established, sometimes en route to Nobel prizes) and to match their skills with important topics. Usually the research was a sunk cost. Professor X had already had say three articles on topic Y in obscure academic journals that had been read by a few friends and family members. The IEA's lure was a first print run of 3,000 copies (a monograph by Yamey had four printings in five years), press coverage, and a following. And the papers were often reprinted in other English-speaking countries and translated. "You made me famous" was an often-heard comment in my day.

Arthur's editing was brutal, and he openly acknowledged that he always set out to test his authors to the limit and glean the most he could out of them. I can attest to this process personally, being deeply shocked – stunned to my core – at his puncturing of my first offering. I went along and felt I benefited. Others also agreed to go along but later recounted how scarred they had felt and claimed he had pushed them too far, even putting words into their mouths. I recall one think-tank CEO, now of great esteem, who went through Arthur's hands saying: "I would never mistreat one of my authors like he did me!" I even remember one young author who had her manuscript sent back 20 times for revision before Arthur was happy. But she was cheerful when she told me that story. To balance these last two tales let me add that when ill health threatened the completion of Hayek's *Law, Legislation and Liberty*, he requested that Arthur be asked to complete the three volumes. Of course, Hayek with the help of friends finished the job.

Thousands of authors were nurtured (especially after he launched the journal *Economic Affairs*) and hundreds of publications were printed, distributed, and sold. He viewed himself as a captain in the artillery firing off shells in the latest battle of the perpetual war of ideas. Some landed on target; some missed; others did a bit of softening up!

He always cautioned authors to ignore constraints such as what reform might be considered politically possible; rather, he said, go for what the establishment thinks is "politically impossible." He even recruited the

economist W. H. Hutt to do a paper, *Politically Impossible?*, urging economists not to avoid going wherever their analysis led them merely to accommodate political reality.

Together Seldon and Harris had many victories: serious thinking about unions, inflation, central planning, economic controls, privatization of the commanding heights, sale of public-housing units to sitting tenants, and contracting out government services all changed 180 degrees. So did attitudes toward communism and apartheid, all nudged along by the IEA. I recall classic papers on Soviet statistics and why the color bar must collapse.

The Public Choice pioneer Gordon Tullock once said to me: "John, the IEA's *The Vote Motive* [his Public Choice primer] did more to spread public understanding of 'Public Choice' than any other single publication." I am sure it was the most translated IEA book ever, at something like 12 languages, and that it was reprinted a few times in the United Kingdom alone. Harris, by the way, coined the books' catchy title.

The big failure was educational vouchers, where Marjorie Seldon (Arthur had met her at the *Store*) founded a lobby group outside the IEA called Friends of the Education Voucher Experiment in Representative Regions. The Seldons shared Milton and Rose Friedman's passion for the voucher concept. The organization was based in a leafy rural county run by the Conservatives and the Seldons' great friend Sir Keith Joseph Bt. [baronet], who was Margaret Thatcher's secretary of state for education. Yet the vested interests prevailed. This is all brilliantly documented in a Public Choice setting in an IEA postmortem called *The Riddle of the Voucher*.

Arthur saw the IEA as a key bridge across the north Atlantic, bringing the best ideas from the United States to a wider continental European and British Commonwealth audience. The IEA was in Arthur's day the Chicago (monetary theory), Virginia (Public Choice), and New York University (Austrian School) pipeline.

As an economist in his own right, Arthur was a man of at least these three schools. A lot like Milton Friedman, he did not believe in just the Austrians or just the Chicago boys or just the Public Choice school. Rather he believed there was only good economics and

bad economics, and he knew it when he read it. As I mentioned earlier, he was influenced by Robbins, Hayek, Plant, and Coase at the LSE, but looming behind them there was another figure, namely, Edwin Cannan, who had taught Robbins, Plant, and even IEA author Hutt a decade or more earlier. Cannan, the LSE's first economics department chairman, emphasized clear writing, and Arthur clearly was influenced by this. Coase, with his emphasis on transaction costs and legal frameworks, was another great influence.

Arthur never really retired. In 1990 he published *Capitalism* and followed that with *The Dilemma of Democracy*, *The Retreat of the State*, *Government Whose Obedient Servant?*, and *The Making of the IEA*. His collected works were published in seven volumes by Liberty Fund in 2004.

I loved all of them – Hayek, Fisher, Harris, and Seldon -- and my IEA book *Waging the War of Ideas* is dedicated to all four of them.[2]

So how to summarize Arthur?

He is easily the hardest of the four founders to pigeonhole. He was the last to emerge -- well over a decade after Fisher sought out Hayek for advice -- but he clearly set the tone for IEA.

The IEA allowed Seldon to spread his wings. If he'd chosen academia, as he might well have, there would have been huge incentives to specialize in one narrow area. As editorial director of the IEA, he was not only a general but also a generalist, commissioning work on many fronts. To Arthur: "The ultimate solution is nothing less than the displacement of 'public officials' and 'public servants' by the revival of the authority of parents to reject inadequate schools, crowded medical centres, and captive housing, by empowering them to pay fees, medical insurance, or other costs." What a noble vision!

For Seldon, the IEA was not a think tank in search of "the next big idea." It already had that at its founding in 1955, namely, that markets are far superior (morally and economically) to central planning; that the rule of law is infinitely preferable to the rule of some bureaucrat; and that private property is better looked after than the commons. They set out to apply such ideas to every topic under the sun, and big policy prescriptions began to emerge.

I once went to some leftist, communist-leaning drinks party in Hampstead, north London. I was, I swear, the only person present out of over 100 who openly espoused liberty. A man who was about 40 introduced himself. I have no idea who he was, but he must have been some high banker or lawyer or something similar. I gave him my details, and he replied: "Oh my gosh. You run the IEA! That's amazing. I owe my entire career to you guys. I was at Oxford and was always behind with my studies. You put out those little monographs. Whenever I had an essay to write I knew all I had to do was go to the library and find the IEA paper!"

I think Antony would have been very proud, as he always wanted an IEA paper on every conceivable topic.

Arthur would probably have frowned at the lax study habits of said student, but then privately would have chortled at the idea of Oxbridge kids searching for answers in IEA papers.

Let me close with the following exchange of letters between Arthur and senior conservative politician Geoffrey Howe, a major figure in successive Thatcher administrations. Arthur was writing soon after the IEA has relocated from Eaton Square to Lord North Street. (Hence his correction of location in his opening line.) "Margaret" is Margaret Thatcher, "Enoch" is Enoch Powell, and "Keith" is Sir Keith Joseph Bt.

Extract from Seldon's letter to Howe, October 24, 1969:

May we hope for something better from Margaret. She said one day here (or rather at Eaton Square) that she was one of a small group of Tory politicians like Enoch, Keith and you who saw the value of the market in economic affairs.

Howe's reply to Seldon, October 28, 1969:

I'm not at all sure about Margaret. Many of her economic prejudices are certainly fairly sound. But she is inclined to be rather too dogmatic for my liking on sensitive matters like education and might actually retard the case by over-simplification. We should certainly be able to hope for something better from her – but I suspect she will need to be exposed to the humanizing side of your character as much as to the pure welfare marketmonger. There is much scope for her to be influenced between triumph and disaster!

And what a triumph it was. On his 80th birthday Lady Thatcher wrote to Seldon that he had made “an invaluable contribution to the political and economic map of Britain. At a time when free enterprise and the free market were unfashionable you championed their cause, laying the foundations for their revival in the 1970s... You always refused to accept Britain’s decline and through your visionary work and rigorous preparation, you inspired much of our success during the 1980s.”

Endnotes

[1] “Socialism Has No Future,” in *Collected Works*, vol. 7, pp. 279-80.

[2] John Blundell, *Waging the War of Ideas* (London: Institute of Economic Affairs, 2007).

2. RESPONSES AND CRITIQUES

1. Stephen Davies, "Is Another Arthur Seldon Possible Today?"

John Blundell's engaging account of Arthur Seldon captures well some of the most important features of his character, career and influence. There are some points where I would add further emphasis to what John says, and others where I would qualify it. I think that in more general terms this account also raises a large and significant question for anyone interested in the role of ideas in public policy: Is a career of this kind, with its impact and consequences, still possible.

As someone who knew Arthur over many years and who was one of the young authors he brought on and developed, I can confirm and endorse John's account of his character and style as editorial director. His editing style was indeed severe; I can vividly recall getting back my first piece for *Economic Affairs* and being dismayed by the swathe of blue penciled comments and directions in the margins. Somebody once circulated a spoof of the Seldon style, in the shape of his response to Hamlet's soliloquy, such as: "the slings and arrows of outrageous fortune – How many? What proportion of slings to arrows? Be clear!" I certainly gained from my exposure to this, and it made me a much better and, I hope, effective writer. Arthur was a demanding editor, but what he wanted was clear and direct writing that incorporated only arguments that were coherent and supported by evidence. Above all he valued precision and clarity.

One point that John makes that I would expand and reaffirm concerns the nature of his intellectual background and orientation. It was indeed the LSE that was the source of this, and in particular Arnold Plant, whose seminar Arthur had participated in as a student. This explains one of the consistent themes of IEA work from the time that he arrived: a skepticism about Keynesianism and particularly the policy of macroeconomic management aimed at securing full employment (always in practice overfull for Arthur) as the central goal of economic policy. This came from the views of the majority of economists at the LSE in the 1930s and 1940s, which included people such as Hugh Dalton and Evan Durbin, both leading Labour

Party politicians. (Arthur always saw Durbin's untimely death in as a tragic loss since in his view he would have moved Labour policy in a much more pro-market direction had he lived.)

Another point that bears emphasis is that of the nature and degree of Arthur Seldon's antistatist radicalism. He was throughout his career as definite in this respect as any of the young turks he brought on and encouraged. He never saw himself in any way as being a conservative, much less a Conservative, and he remained always the thoroughgoing classical liberal to Ralph Harris's market conservative. One slight qualification I would make here is that while the IEA did publish arguments in favor of contracting out public services, Arthur preferred that local government paid for any remaining services through user charges rather than taxes. His argument was not only that this would improve the services by introducing market incentives, but also that it would change the relationship between the public and government. I think it is fair to say that Arthur's relations with members of the political class was always more distant and prickly than that of Ralph Harris, as the anecdote about the toast that John recounts shows. He would not have wanted it any other way, and this outsider's stance was one of the keys to his success in what he did.

This brings up another point where I would differ slightly from John in emphasis rather than substance. John stresses the success and impact of Seldon's work, which was indeed considerable. Arthur himself, however, was more aware of the "misses" than of the "hits," partly because of his radicalism, which meant that he judged the impact of the IEA by a high standard. The education voucher was indeed his biggest disappointment, and he was strongly opposed to much of the education policy the Thatcher government did follow, in particular the national curriculum. However, there were a number of other areas where he felt that the arguments of his authors had fallen on stony ground. One in particular was the case for significant reductions in government spending, with his feelings captured in an IEA monograph written by his protégé John Burton with the title *Why No Cuts?*^[3] Another was welfare policy in general, where politicians remained resistant to his arguments for a radical re-assessment of both the content and scale of government action.

However, for me the major point that comes from reading John's essay is the question I alluded to earlier. Is a career like Arthur Seldon's, with the impact that he had, possible today? The general goal and "big idea" of the IEA was always clear from the start for Fisher and Harris, but as John indicates, there was some lack of clarity before Arthur arrived over how to realize this. If Antony Fisher's instincts had been followed, the IEA would have ended up as a popularizing educational outreach institution like the Foundation for Economic Education. Alternatively it could have become a networking organization aiming at identifying and nurturing an intellectual "remnant" of the kind identified by Albert Jay Nock. Or it could have gone down the route later followed by many think tanks, such as the Heritage Foundation and the Adam Smith Institute, concentrating on feeding definite policy proposals into the later stages of the policy-making process. None of these would have suited Arthur's talents to the same degree as the route he identified and realized. As John says, this was to identify scholars both new and aspiring, and older and established, and persuade them to produce well thought-out monographs of high scholarly quality that put the market-liberal perspective on whole areas of public policy. The aim was to influence not so much the general public or the politicians and civil servants, but the "second-hand dealers in ideas," identified all those years ago by Hayek – academics, teachers, lay intellectuals, and journalists.

In this Arthur was very successful, as John says. The question, though, is whether this can still be done. Arguably changes in the academy and the wider world since Arthur retired have made this strategy for intellectual change much more difficult to realize. John says, "Usually the research was a sunk cost. Professor X had already had say three articles on topic Y in obscure academic journals that had been read by a few friends and family members. The IEA's lure was a first print run of 3,000 copies, ... press coverage, and a following." I fear this is no longer the way things often are, for two reasons. The first is that often the papers and research simply do not lend themselves to digestion and publication in this way because of the introverted nature of the contemporary academy, where arguments and publications are increasingly esoteric and directed only at a few insiders instead of being of wider relevance and interest. For economists the additional problem is the increasing formalism and mathematiza-

tion of the field. The second problem is the change in career incentives for scholars. Getting a following and a publication with a wide readership now counts for much less in career terms than an article in a refereed journal, even if it is indeed only read by a handful of people. In fact writing for bodies such as the IEA now has a considerable opportunity cost since it takes time away from turning out yet another technical journal article to add to the research assessment. This makes finding authors much more difficult.

Even more important is the change in the workings of the media. In Arthur's time a key part of the strategy was to influence journalists, such as Sam Brittan, Andrew Alexander, and Patrick Hutber. They were the medium of transmission between the academy and the politicians and civil servants, as well as the wider educated public. Although there still are journalistic figures of this kind, the contemporary media have an intense focus on the short term and do not do the same kind of multiplier job that print journalism performed in the past. One response is to adapt and follow a strategy of trying to capture the daily media narrative and agenda, and at least ensure that the ideas are given a hearing in the 24-hour news cycle. This is probably necessary, but it is also a high-risk strategy: The contemporary media is rapacious and can easily consume its story providers, turning them into nothing more than a source of sound bites and arguments for phone-ins. This may have some passing impact on the wider public, but the key class of opinion formers that Hayek and Seldon identified are unlikely to be moved.

On balance I think that the career of Arthur Seldon can still be emulated, but this will require significant new thinking and changes of tactics, if not strategy. It is important, however, that this is done. Milton Friedman once stated that the advent of the large policy think tanks in the 1970s and 1980s had been bad for the freedom movement because it moved the focus away from high-quality thought, research, and argument to the shorter time horizons of politics. Gordon Tullock once posed the question why there was not an equivalent of the IEA in the United States and argued that the lack of an institution following Arthur's kind of approach was a serious lack. It probably is the case that the kind of institution the IEA became (and broadly remains with his current editorial direction, Philip Booth) would not have been possible without Arthur and that it was his strategy that gave the Insti-

tute a status and intellectual standing that is unusual in the think-tank world. The question is whether this was a phenomenon of his own life and times or whether it can be reproduced. Let us hope so it can be.

Endnotes

[3] John Burton, *Why No Cuts?* (London: Institute of Economic Affairs, 1985).

2. Peter J. Boettke, "Why No IEA in the United States?"

That is actually a rhetorical question that Professor Gordon Tullock put to me and some others standing around Harper Library at the old Institute for Humane Studies complex in Fairfax when I was a graduate student. We all were puzzled because this was the early 1980s and free-market think tanks were in full bloom. Cato had recently moved to D.C., where Heritage and AEI were already in operation. New grassroots groups such as Citizens for a Sound Economy were being established as well. FEE was entering its post-Leonard Read phase, but it still was publishing *The Freeman* and conducting seminars. And, of course, this was in the middle of the Reagan Revolution, with the Hoover Institution brain trust commuting between D.C. and Stanford. But Tullock persisted: None of these groups was like IEA.

And as he pushed us, we began to understand. IEA was an economic think tank where the persistent and consistent application of economic theory to questions of public policy took precedence over current policy debates. Its publications provided an intellectual bridge between serious scientific economics and the everyman's interest in economic issues – whether those interests were aimed at pure understanding of the forces that explain how the world works, or the policy options currently being debated. A look at IEA publications immediately revealed something different from what one saw at the American think tanks. This difference had a lot to do with Arthur Seldon.

I met Arthur Seldon during this time, along with Lord Harris. Seldon seemed very comfortable in his role as an economists' economist, as well as someone who wrote economics for the everyman. He wasn't trying to be a British Henry Hazlitt since he wasn't an economic journalist and popularizer.[4] He was an LSE-trained economist who sought to make the teachings of economics understandable to the general public. In this regard, Seldon was more or less a *public* economist. In the process, not only did he work to keep Hayek's ideas alive within the economic conversation, through his work as the editorial director at IEA he spread the ideas of Ronald Coase and property rights analysis; the ideas of Milton Friedman and monetarism; and the ideas of James Buchanan, Gordon Tullock and Public Choice to the English public.

As John Blundell points out, Seldon was a student of Coase, Hayek, and especially Arnold Plant. Any history of the LSE during this time would be incomplete without an extended discussion of Plant and his influence on the younger generation of economists (including Coase). Of course, there were many "big players" at LSE in the 1930s, with Lionel Robbins and Hayek being the towering figures among the free-market liberals, but their direct influence on younger market-oriented economists was not as widely acknowledged as that of Plant. Instead, from the accounts I have read, the influence of Robbins and Hayek was more indirect through their research and mentorship of graduate students and young faculty. But discussions of Plant often stress the impact of his lectures and the questions he raised for students to think about.

What were the components of Seldon's *public* economics? First, it appears he was not interested in cultivating sectarian schools of thought within the economic discourse, but instead insisted on clarity of argument and a straightforward appeal to evidence. While introducing readers in his editorial capacity to the insights of Hayek, Coase, Friedman, Buchanan, and Tullock, he made no appeal to exotic ideas of some forgotten brand of economics. Instead, the arguments were presented as plain old commonsense economics based on sound economic theory and attention to the empirical details. In short, Seldon wasn't producing "Austrian economics," "monetarism," or "Public Choice"; he was producing good economics, encouraging debate on monetary policy, and making

sure that modern knowledge of political economy was incorporated into the economic conversation.

Second, as an editor Seldon was aiming an audience of generalists in academia, economic policy decision-makers, and those charged in the media with covering economic ideas and economic policy. IEA books are sophisticated intellectual works, but largely without jargon.

Third, Seldon entertained the most radical implications of the consistent and persistent application of the economic way of thinking to the policy question under examination. He was a radical classical liberal.

So let's come back to Tullock's claim and fit that in a larger argument about the spread of ideas in a society. Hayek postulated in "The Intellectuals and Socialism" that the reason socialism was so successful as an intellectual movement in the nineteenth and early twentieth centuries was that they had captured not only the intellectual imagination of the scholarly class, but also the secondhand dealers in ideas. These secondhand dealers, through their work as teachers, journalists, writers, etc., in turn influenced the policymakers and general public. IEA under Seldon's editorial direction, as I understand it, focused on translating the technical scientific work of the economists of the scholarly class into jargon-free, yet intellectually rigorous prose for the second-hand dealers.

To put this in perspective, consider the following comparative cases: Thomas Jefferson Center at the University of Virginia and American Enterprise Institute/Heritage Foundation. Warren Nutter and James Buchanan were fellow graduate students at the University of Chicago after World War II. Economics was in the process of transforming itself on two fronts: 1) the neo-Keynesian synthesis with its emphasis on macro-economic aggregates, and 2) mathematical formalism and statistical testing as the scientific mode of economic expression and analysis. Nutter and Buchanan agreed that the great discipline of political economy – the ideas of Adam Smith, John Stuart Mill, and Frank Knight – were under threat of expulsion from the consciousness of the young generation of economists. They decided that if they ever found themselves teaching together they would work to "save the books." Such an opportunity did arise in the mid to late 1950s at UVA, where they founded the Thomas Jefferson Center for the Study of Political Economy. Nutter,

Buchanan, Coase, Tullock, and Leland Yeager were the primary faculty, and the group of graduate students they worked with went on to have significant scholarly impact within the economics profession over subsequent decades. Their focus was on the scholarly/scientific class exclusively.

Compare that with AEI/Heritage, both of which were founded with the purpose of informing the policy discussion among politicians in D.C. Their concern was more politically immediate. The model of a policy think tank has since spread through the United States at the state level, and internationally as well. Ironically, many of these think tanks are the byproduct of an initiative of Sir Antony Fisher – who founded IEA on Hayek's advice. But they didn't have Arthur Seldon as an intellectual leader, so they replicate not the IEA model, but the Heritage model. They are *policy* think tanks focused on politicians, or *grassroots* think tanks focused on the voting public. What they don't provide is intellectually rigorous arguments directed at the second-hand dealers of ideas to impact their general framework of analysis about economic issues.

This is a huge hole in the U.S. think-tank market. Tullock was right: There is no American IEA, and that is because the individuals in charge did not have the intellectual temperament and disposition of Arthur Seldon. Organization leadership matters; and strategic focus especially matters. IEA was able to make a difference because under Seldon's editorial direction its authors contemplated not merely day-to-day policy, but rather applied the economic way of thinking consistently and persistently – regardless of what was regarded as politically impossible.

Endnotes

[4] My remark is somewhat unfair to Hazlitt. He was in fact much more than a journalist and popularizer of economic ideas. As I argue in a pair of papers, he was an intellectual middleman who also attempted to make original contributions to philosophy, politics and, economics. See Boettke, "The Economists as Public Intellectual: The Case of Henry Hazlitt," online at: <http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2030464>; and Boettke and Liya Palagashvili, "Henry Hazlitt as an Intellectual Middleman of 'Or-

thodox Economics,” *History of Political Economy* (2013). Still there is something different about Hazlitt, who earned his livelihood as a journalist, and Seldon, who worked full time as what I refer to as a *public economist*.

3. Nigel Ashford, "Arthur Seldon as Author"

John Blundell demonstrates Arthur’s significant role in challenging the three pillars of the postwar consensus in the United Kingdom. First was Keynesian management of the economy. Second was a mixed economy in which certain industries are considered so important they had to be state-owned, such as energy or telephones. Third was a universal welfare state, in which certain benefits or services had to be provided for all, such as education or health. Arthur contributed to demolishing the first two pillars, but had less success with the third, the one he cared about the most. I want to focus on his own writings (rather than on his role at the IEA as editor) and specifically on two topics that dominated his thinking. First was how to achieve policy change, through ideas or interests, which continues to drive debate among libertarians. The second theme is his critique of the welfare state. Finally, I will make some suggestions on how libertarians can build on Arthur’s work, by developing a coherent theory of government failure in the realm of ideas, and by promoting opportunities for producers to exit, in the realm of interests.

Before that, I want to briefly mention my own personal experience with Arthur as editor, which was only positive. He invited me to contribute to a book he edited, *The New Right Enlightenment* (1985), published by his own (alas short-lived venture) Economic and Literary Books; an edited volume on *Re-Privatising Welfare: After The Lost Century*;^[5] and several essays to the IEA journal *Economic Affairs*. I also spent several very pleasant occasions receiving hospitality at his home with his wife, Marjorie, who was active on education vouchers. Beyond that I met him at numerous IEA events, where he always pleasant and forthright.

The role of a think tank is to change public policy. The most effective method depends on what you be-

lieve determines public policy. In 1959 Harris and Seldon presented a paper to the Mont Pelerin Society on their model of political change, which said:

There are three basic requirements for the establishment of and maintenance of a free society.

1. The philosophy of the market economy must be widely accepted; this requires a large programme of education and much thought about how to finance it;
2. The transformation from a controlled economy must be eased by compensating those interests whose expectations will be disturbed;
3. Policies must be designed to make otiose all pleas for protection from the consequences of change that democratic politicians would have difficulty in resisting.^[6]

They added: “Education at varying levels must be directed first at the influencers of opinion; i.e. intellectuals, politicians, businessmen and all (not least journalists) who help form public opinion.”

Arthur frequently quoted (and the IEA prominently displayed) Keynes on the power of ideas: “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.... I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.”

Hayek expressed similar sentiments in his essay “The Intellectuals and Socialism,”^[7] in which scholars and intellectuals changed policy by their influence on public opinion. The IEA was clearly committed to the Hayekian approach to winning the intellectual battle without regard to short-term political battles. Arthur described it this way: “The IEA was the artillery firing the shells (ideas) ... but the Institute would never be the infantry engaged in short-term, face-to-face grappling with the enemy.” Authors were told to rigorously follow their analysis and policy conclusions and ignore objections that their proposals were “politically impossible.”

Yet this view about the power of ideas compared to interests was challenged by Arthur’s deep interest in Public Choice. Another major contribution of Arthur was to introduce Public Choice to the United King-

dom, (while adding some interesting twists of his own), by publishing Gordon Tullock, *The Vote Motive*. [8] Arthur preferred the term "the economics of politics" to Public Choice. The essential theme of Public Choice is that political actors pursue their own self-interest, just like economic actors. This challenged the assumption behind many policy proposals that there is market failure caused by the economic actors' pursuit of their own self-interest, which required the government to step in to correct those failures, motivated by the public interest. Tullock identified some themes of Public Choice analysis: rent-seeking, log-rolling, and bureaucratic size maximization. Seldon followed up the success of Tullock with many other Public Choice books.

Arthur provided his own contribution to this school. Most valuable was his contrast between political and economic democracy. If democracy is "rule by the people," do the people rule more effectively through elections or through the market? He argued forcibly that the market empowered the workers and the poor much more than voting.

His critique of political democracy is that it makes decisions by majorities, or counting heads, in contrast to capitalism, which provides for all heads, including minorities and even individuals. Access to goods and services can never be equal. The issue is whether the distribution is determined by cultural or economic power. Inequality in economic power can be corrected by giving cash to the poor, while cultural power cannot be corrected, giving power to the elite. He described political democracy as "Government of the Busy, by the Nosy, for the Bully."

However, there is a tension between the belief that policy can be changed by good ideas and the matter of whether those ideas can be suppressed by the power of interests. This was a theme of several IEA volumes, such as the anthology *Ideas, Interests, and Consequences*. [9] I am not sure that Arthur ever resolved this tension, which was reflected in his own passion for reforming the welfare state.

Arthur was opposed to the universal welfare state as established in the United Kingdom, while supporting a largely cash-based safety net. This for him was personal: He described his own experiences as a child in the poverty-stricken East End of London. He criticized Conservative politician Lord Balniel's welfare reforms in these words:

You have never been poor. I have. The poor do not thank those who give them gifts in kind which question their capacity and affront their dignity. Cash gives the power of choice; service in kind, denies choice. But much more than that; the poor who are given care or kindness will never learn choice, judgment, discrimination, responsibility. [10]

His criticisms of the welfare state were manifold. It deprived the poor of the opportunity to make decisions about their own lives. The middle class was able to capture most of the benefits for themselves. There was an adverse effect on the supply of welfare goods and services, such as education, as incentives to provide for one's own life were reduced. The welfare state created excessive demand by providing services for free at the point of delivery. The administrative costs were excessive because there were no incentives to be efficient.

The welfare state resulted in low-quality services for the poor, and it was fiscally unsustainable. Policies were usually "conceived in fear, composed in haste, adopted in ignorance." [11]

Arthur sought ways to extend the free market to health care, housing, education, and pensions by injecting prices, competition, and incentives, supported by cash benefits or vouchers for the poor. He demonstrated widespread dissatisfaction with the welfare state through a series of unique public-opinion surveys, which showed great demand for contracting-out of state services, and rapidly declining support for universal provision once the costs in taxes were priced.

So why was there so little progress in welfare-state reform? He concluded, for example, that education vouchers had failed due to producer interests and opposition from the civil servants. Intellectual arguments were not enough. Nonetheless he remained deeply optimistic. He had faith in the power of exit, or escape. Economic laws are stronger than political power. People would find ways to escape the state to satisfy their wants, perhaps by resorting to the shadow economy.

So how can we improve on Arthur's work? One suggestion is that we need to formulate a more coherent theory of government failure. Almost any educated person will be familiar with the concept of market failure and its key features: public goods, negative externalities, monopolies, and asymmetric information. Yet there is no similar awareness of the

key areas of government failure, such as the problems of collective action, rent-seeking, principal-agent problems, concentrated beneficiaries, the problem of democratic decision-making, and knowledge problems. We need to make the educated person as aware of these as he is of market failure.

Second, Arthur placed great emphasis on the value of exit, or opting out, for consumers. We should also look at giving producers the power of exit. To undermine opposition to change, we must identify and empower producers who are dissatisfied with the status quo. Many welfare-state producers, such as teachers, are as dissatisfied as consumers and know that given autonomy and control of resources, they could produce better services and obtain greater job satisfaction.

Our best homage to the work of Arthur Seldon is to build on his insights.

Endnotes

[5] *Re-Privatising Welfare: After The Lost Century* (London: Institute of Economic Affairs, 1996).

[6] Arthur Seldon and Ralph Harris, "The Tactics and Strategy of the Advance to a Free Society." Quoted in Richard Cockett, *Thinking the Unthinkable* (London, Fontana 1995), p.140.

[7] F.A. Hayek, "The Intellectuals and Socialism," *The University of Chicago Law Review*, Spring 1949, pp. 417-33. Online at: <<http://library.mises.org/books/friedrich%20a%20hayek/Intellectuals%20and%20Socialism.pdf>>.

[8] Gordon Tullock, *The Vote Motive* (London: Institute of Economic Affairs, 1976).

[9] *Ideas, Interests, and Consequences* (London: Institute of Economic Affairs, 1989).

[10] IEA archives, 16 November 1967. Quoted in Cockett, p. 139.

[11] Colin Robinson, ed., *The Collected Works of Arthur Seldon* (Indianapolis, Liberty Fund, 2005), p. 47.

3. THE CONVERSATION

1. John Blundell, "Imagining Arthur Seldon Today"

First let me thank Dr. Ashford, Professor Boettke, and Dr. Davies for their insightful responses to my appreciation of Arthur Seldon. While we have slight differences of emphasis, it is mostly hard to squeeze a cigarette paper between us.

Before turning to some of the issues they raise, let me amplify one point in my opening paper, namely the tensions that arose when in 1979 Ralph Harris received a peerage and Arthur got nothing. (Incidentally, Ralph's story of his choice of title with Garter King of Arms at the College of Arms is hilarious. Before settling on "of High Cross," a local focal point in Tottenham, where he grew up, they argued over many other possibilities, the first of which was "of Cambridge," where Ralph had studied. He wanted to cock a snook at the Keynesians, but Garter would have none of it for heraldic, not political, reasons.)

Ever the politician, Ralph immediately knew there would be tensions. At IEA lunches and at outside speeches to free-market conferences, such as the one I ran in Oxford in late 1979, he would proclaim that his peerage was to be shared by all of us who had fought for a market-based society before Margaret Thatcher's spring 1979 victory. We little band of warriors were now all members of the House of Lords!

From then on, until well into the current century, Ralph did everything he could to redress the balance. He lobbied intently behind the scenes for Arthur to receive due recognition, and honors began to come his way. He was made an Hon. Ph.D. by the University of Buckingham, then the United Kingdom's only private university, founded at the IEA based on a paper Arthur had edited, *Toward A Private University* by Harry Ferns (1969). He was made a Commander of the British Empire, or CBE, by the Queen – which is one notch short of a knighthood. The LSE made him a Fellow and the Mont Pelerin Society made him its first ever such.

I was recruited into all of this, and when we remodeled the ground floor of the IEA, creating a big

rectangular function room, we called it The Arthur Seldon Room and hung in it a large color portrait of him. Ralph insisted nothing be named after him, so the board room was not rebranded and a two-room area on the first floor was remodeled and became The Fisher Room.

I was so tuned into this program of Ralph's that when a representative of Liberty Press called me one day to say, "We are thinking of doing the Selected Works of Arthur Seldon," I replied, "I think the Collected Works might go down better!" and he speedily agreed. When Liberty Fund later inquired about filming Lord Harris for its Intellectual Portrait Series," I replied: "I'm sure Lord Harris would be happy to participate, but he'd be ten times happier if the film was of him and Arthur!" Liberty Fund agreed, and it was done over two days at the IEA offices. Watching the finished product, it is obvious to me that Ralph several times holds back (sticking his pipe into his mouth and looking off into the distance) to ensure Arthur gets a clear run at answering the question, or I should write, "Dear Arthur," as that is what Ralph always said.

Let me turn to the three comments.

Dr. Ashford is spot on to write of Arthur's big frustrations. Yes, there were many victories (too many to list here) in the broadly economic sphere, but with health, education, and welfare Arthur's artillery shells just bounced off the armor plating. I earlier mentioned education vouchers. Let me amplify. It is the height of Thatcherism. Margaret made Keith Joseph (her closest, longest standing friend in the Commons and her soul mate) as her secretary of state for education. Arthur launched his artillery shells. In Tory Kent, where he lived, his wife built a grassroots campaign for a countywide experiment. Yet still the educational establishment, bureaucrats and unions, prevailed.

(This episode reminds me of how shocked Margaret Thatcher was when, as secretary of state for education herself, she attended the annual dinner of a big teacher trade union only to see her entire senior staff being very friendly with the union bosses.)

Let me pick up on two of many points made by Dr. Davies.

First, is a career like this still possible? He makes the excellent point that the university research assessment exercise (RAE) employed to rank departments

and steer money does not reward you for an IEA monograph, however famous it might make you. I would counter that those affected are but a small subset of the potential talent pool; there are many good IEA writers in industry; banking; the City of London, the capital's financial district; and operating as independent consultants. The IEA's first ever book was written by a financial journalist no less. Also my hunch is that the RAE is not so critical once faculty become well-established. But the point does remain. I would also add that Arthur had three main successors, Dr. Cento Veljanovski, Professor Colin Robinson, and Professor Philip Booth, and they have not been too bad – as Brits say!

Dr. Davies makes an excellent point about the media. The number of outlets has exploded since Ralph and Arthur's era. Because of his stutter, Arthur to my knowledge did only one TV program and that with Ralph at his side; Ralph once told me that in 30 years he went on TV thrice. Back then there were three radio stations and three TV stations, of which only four were relevant to the IEA, and on the print side there were, say, three major national newspapers with serious economics correspondents.

So Ralph and Arthur focused, as noted above, on bringing in the heavyweights such as Jay and Hutber and Alexander and exposing them to Friedman, Hayek, and Buchanan. And it worked.

Dr. Davies ponders how to respond in today's open freer media market, one created by the IEA for whom competition in broadcasting was a long-running theme. My own strategy (1993-2009) was to continue doing what Ralph and Arthur did, write as much as possible for the quality press, and appear myself a little more than they did. But what I added was to make the IEA a resource for names of experts for the media, and then when our referrals did well, they ended up as regulars and we dropped out of the picture. With the size of the IEA staff, that is clearly the best way to address Dr. Davies's concern.

Professor Boettke comments on the nonsectarian nature of the IEA, or as I used to say, "We are a broad church." And he is spot on. Arthur created a pipeline that was a blend of Austrian, Chicago School, and Public Choice economics, mixed with good micro, a healthy skepticism of macro, and a dash of law and economics.

Professor Boettke pegs his whole response on the Gordon Tullock question: "Why no IEA in the United States?" Tullock and Buchanan first asked this question in "Why No American IEA?," included in an IEA collection of papers, *The Emerging Consensus?* (1981). Their answer then was that the United States has no London; in other words, that D.C. is more like a Brasilia or a Canberra, and that you'd have to roll up New York, Boston, Washington, Chicago, New Orleans, Los Angeles, and San Francisco into one to create a U.S. "analogue to London." It is because the IEA is at the heart of London, they said, it is at the heart of all the centers of gravity: intellectual, cultural, commercial, and political. They commented that the IEA had not been taken over by vested interests, but believed that (even with "the devotion, wisdom, and integrity" of both Ralph and Arthur) an IEA in D.C. "would have ... become at least partially captured" by the monkeys (my word) in the "jungle." This would have made it "incapable of exhibiting the long-range coherence of purpose that has been its London hallmark."

Just as this essay came out in 1981, the Cato Institute was packing up its bags in San Francisco before moving to Washington D.C. Milton Friedman warned founder/president Ed Crane that he would be captured. For once Milton was wrong, as by implication were Buchanan and Tullock.

The capture threat is there, however, as I wrote in *The Sunday Times* in July 2009.[12] In Ralph's day there was really only one think-tank, the IEA, and he dealt with top chairmen and CEOs. By the end of my 17 years, there were, say, a dozen, maybe 20 if you include the one-man outfits. Companies now have think tank budgets run by directors of public affairs who want something for their money. Professor Boettke really juices things up in his final two paragraphs.

He references "an initiative of Sir Antony Fisher," which must mean the Atlas Economic Research Foundation, now trading as Atlas Network. By the early 1970s Ralph and Arthur had done such a good job that people the world over were asking, "How do you do this?," and Antony began a final phase of his life helping to start, or helping soon after their launch, new IEAs, initially in cities such as Vancouver, B.C.; New York; San Francisco; Sydney; and Dallas. By 1981 he incorporated Atlas to give a focal point for this burgeoning industry.

Boettke's complaint is that none of them have an Arthur Seldon and so they have slipped down the structure of production and have become more like "the Heritage model." The new IEAs, he states, are "policy think tanks" or "grassroots think tanks." He goes on: "What they don't provide is intellectually rigorous arguments directed at the second-hand dealers of ideas to impact their general framework of analysis about economic issues."

I have been involved with the Atlas Network for 26 years and have served on its board for over 20 years, nearly 25 maybe. There is more than a germ of truth in Boettke's claim, but let me say this:

1. I think he is a bit too sweeping. The early Atlas institutes led by men such as Dr. Michael Walker and Dr. John Goodman learned a great deal from the Seldon modus operandi.
2. You can only do, without an endowment, what your donor base will support.
3. Some (many?) of the newer institutes in Africa and Asia are operating in extreme conditions.
4. Some institutes are consciously downstream, such as London's Adam Smith Institute, still very rigorous but enjoying the benefit of upstream IEA.
5. Many institutes take IEA products and translate them. Arthur and Ralph published Tullock's *The Vote Motive*, and it was I was told translated 12 times. Gordon once said to me, "*The Vote Motive* did more to spread public understanding of Public Choice than any other single paper."^[13]
6. And finally the liberal tradition has been so lost for so long in so many countries that maybe they do not need an Arthur for the moment. I think of the late Donald Stewart in Brazil, who translated classic texts into Portuguese because, he said, there was just no base to build on with none of the fundamental texts available. And I recall over two decades ago friends in Austria and Sweden taking great risks to smuggle copies of Hayek, Friedman et al. behind the Iron Curtain.

But I do agree with Boettke's main thrust, and as an Atlas trustee I do not hesitate to complain when I see a so-called think tank teaching Tea Party members how to paint placards or putting messages on beer mats. The latest vogue at the state level in the United States is to hire redundant investigative reporters. I spoke at one such think tank recently, which even publishes its own paper. I must have frowned or something

because they immediately became defensive and one staffer blurted out, "But we've just put three Democrats in jail!"

This might all be very well and good – the more scoundrels of all parties in jail the better – but it's not think-tank work and if Arthur were here he would be cautioning us: "The artillery should never desert the high ground."

Endnotes

[12] John Blundell, "Fight to Keep Dirty Thoughts at Bay – John Blundell on the Need to Guard Think Tanks against Undue Influence," *Sunday Times*, July 5, 2009; online at < <http://www.iea.org.uk/in-the-media/media-coverage/fight-to-keep-dirty-thoughts-at-bay>>.

[13] Gordon Tullock, *The Vote Motive* (London: Institute of Economic Affairs, 1976. <<http://www.iea.org.uk/sites/default/files/publications/files/upldbook397pdf.pdf>>

2. Nigel Ashford, "Where Is the Intellectual Progress?"

I want to draw attention to Arthur Seldon's unfairly neglected book, *Capitalism* (Blackwell, 1990).^[14] It is a masterful and wide-ranging defense of capitalism. He presents the virtues of capitalism, rebuts the case for socialism, directly challenges a large number of capitalism's critics by name, and illustrates his passion for capitalism with episodes from his own personal history. I speculate that it was neglected because his critique was directed at socialism, which, due partly to his own efforts, was no longer the chief alternative of capitalism, having already largely been discredited. Opposition has since taken a number of different forms, such as Rawlsianism, postmaterialism, and environmentalism.

I want to focus on chapters 7 and 8, which identify 10 intellectual developments that explain the revival of capitalism as an ideal.^[15] My challenge is: how successful have these arguments been since he presented them in 1990? To what extent have classic liberals built on those insights, given them greater strength, or added new powerful arguments to our ammunition. Or are classical liberals still living off of an intellectual legacy of over 20 years ago?

The 10 developments (p. 146, or p. 206 in the LF ed.) were:

1. A new interpretation of capitalist history
2. The new analysis of property rights
3. The new emphasis on the market as a process
4. The economics of politics (Public Choice)
5. The critical examination of government regulation
6. The skeptical view of public goods
7. The nature and effect of externalities
8. The monetary control of fluctuations
9. The economics of self-investment in human capital
10. The limited and minimal state

My inclination is to say that classical liberals have made very little progress in building on these foundations or in creating new ones. I also note that these were all developments in economics. Have we seen any progress in the intellectual arguments in favor of capitalism in other disciplines (for example, in political science, philosophy or history)?

Endnotes

[14] *Capitalism* appears in vol. 1 of *The Collected Works of Arthur Seldon: The Virtues of Capitalism* (Indiana;olis: Liberty Fund, 2004), pp. 51-465. <<http://oll.libertyfund.org/titles/1449>>. Unfortunately it is only available here in PDF format at the moment. An HTML version of Chapters 7 and 8 can be found here <<http://oll.libertyfund.org/pages/intellectual-reinforcement-for-capitalism>>.

[15] Chap. 7 "Intellectual Reinforcement for Capitalism," pp. 205-26; Chap. 8 "More "Intellectual Reinforcement for Capitalism," pp. 227-46.

3. Peter Boettke, "Captured by Whom and for What Purpose?"

John Blundell points to Buchanan and Tullock's own argument about why there is no American IEA, which refers to London's unique intellectual and cultural characteristics, compared to New York (commercial/artistic) and Boston (academic/scientific), let alone D.C. (policy). Because London is the cultural center of all three intellectual classes, the IEA couldn't become a tool just for the political class. I don't find this argument completely convincing, though I do believe it has some intuitive merit. John uses the Cato Institute as counterexample, with its ability as a think tank to think outside the box of its geographic cluster and intellectual culture, and he also points to the spread of think tanks that Atlas has helped create. Again, while I find Blundell's evidence intuitively compelling, I don't find it convincing. And ironically -- and this is indeed ironic because of the role that John played at IEA, as well as IHS and Atlas -- I am unconvinced because I believe John underestimates how unique IEA and Arthur Seldon was. Cato might not be captured by special-interest groups, as Milton Friedman warned, but there is no doubt it is part of the Washington, D.C. intellectual culture. It is a policy wonk shop, not a research center. I don't say that with any normative assessment, but as a positive analysis of the situation. The state-level think tanks that Atlas has formed are also policy wonk shops,

but tied into a local level. Again, what they aren't are economic *research* centers.

A pivotal monograph for IEA, which I would contend sets it apart, is W. H. Hutt's *Politically Impossible?* (1971, 2010).^[16] The argument in that monograph -- which is that economists should never direct their messages with the eye to what is politically possible, but always to what is scientifically true -- permeates IEA works. This is why IEA was able to think the unthinkable and to encourage scholars to do so. IEA and Seldon carved out a unique niche in the intellectual structure of production. They did not reside at the highest stage of production, nor did they reside at the lowest (if the lowest is considered selling economic policy to politicians). They resided instead at the higher stages of production where the raw scholarly material of the Austrian, Chicago, and Virginia schools of economics is translated into useable material for dissemination to secondhand dealers in ideas -- teachers, journalists, and intellectuals. They were the first-level translators. The United States never developed a sustainable clone of IEA, as the equilibrium tendency in the market for charitable funds seemed to always pull a group more and more toward being a policy wonk shop in the hope for relevance. FEE -- the original market-oriented think tank -- comes the closest to the IEA, but doesn't actually fit because the focus has rarely been on translating cutting-edge scientific research in order to pose an intellectual challenge to the conventional wisdom. FEE is farther down the structure of production, focusing instead on the elementary principles of economics.

In the United States the kind of conversation that the IEA and Seldon generated is not being generated by Cato and the state-level network of free-market policy wonk shops; instead, it is being generated in economic blogosphere, for example at *Marginal Revolution*, where cutting-edge academic work is getting a first translation. Also see *Project Syndicate* and *Vox*. One of the great innovations along these lines is Russ Roberts's podcast series, *EconTalk*. The conversation in all these media is more scientific/scholarly and yet more in line with Hutt- and Seldon-style pursuit of truth. Policy relevance is not the first principle guiding their work. It is hard to stay focused on this kind of work when located amid a culture of policy concerns, or financial concerns, or artistic concerns. The Buchanan-and-Tullock intuition as to what can go

wrong isn't that far off the mark, and the fact that London had/has this great diversity of coexisting intellectual cultures does make it unique. But the more unique aspect I would argue was the attitude of Seldon as he guided the research and publication projects of IEA. There is such a thing as pivotal people at pivotal times -- and Arthur Seldon was one of those people. I do believe he left such an imprint that the folks who have followed in his footsteps have preserved his attitude and purpose, namely, to be the first-level translators. That continues to make IEA unique in the worldwide network of free-market think tanks.

Endnotes

[16] W. H. Hutt, *Politically Impossible? An Essay on the Supposed Electoral Obstacles Impeding the Translation of Economic Analysis into Policy* (1971, 21 Oct 2010). About the book: <<http://www.iea.org.uk/publications/research/politically-impossible>>. PDF download: <<http://www.iea.org.uk/sites/default/files/publications/files/upldbook523pdf.pdf>>.

4. John Blundell, "You Are the Cause of All My Troubles!"

Every think tank reflects a range of factors or interests, and it is hard to think of two that are identical. The interests of the founder, the proclivities of the board, the market in available talent, the desires of investors, the prevailing climate of ideas -- all and much more come into play and produce very different outcomes. And they come at matters via different routes. Recently, for example, Washington D.C.'s *The Heritage Foundation* added a separate action organization; so a think tank, or policy shop, deeply influenced by the IEA (its founder/president Dr E. J. Feulner Jr. has often spoken fondly of his year at the IEA in the late 1960s and what he learned by working for Arthur) rightly or wrongly adds a campaigning dimension. Meanwhile in London, *The Taxpayers' Alliance* (founded by IEA alumnus Matthew Elliott), which is clearly a campaigning group and says so loud and clear and up front, de-

velops an in-house think tank dimension such that at a November 2013 meeting of the *Atlas Network* in New York City it won the \$100,000 Templeton Prize against competition from all around the world.

It would be wrong to say that Arthur and Ralph were totally free of vested interests and completely immune from the thrill of a short-run victory. In the early days Ralph toured advertising agencies collecting financial support for studies on their role in a free society. At that time the industry was much vilified in intellectual circles. And earlier in this conversation I referenced Basil Yamey's *Resale Price Maintenance and Shoppers' Choice*, which quickly and directly led to a bill that created the entire supermarket industry as well as the *Virgin* empire. The minister who promoted the bill came to lunch at the IEA when he was under severe attack on all sides, pointed at Arthur and bel-lowed, "You are the cause of all my troubles!" It has been estimated that the resulting law so annoyed small shopkeepers (who would tend to vote for the Conservative Party) that they abstained from voting in the 1964 general election in sufficient numbers as to hand victory to Labor, which would rule for the next six years.

It's all a bit like baking a cake or a pastry. Try making a lemon meringue pie in Guatemala. You will fail as there are no lemons in that country, only limes.

Finally, let's bring this back to Arthur.

He loved young inquisitive minds and was famous for his Sunday afternoon tea parties in the garden of his and Marjorie's home in Kent, a short train ride from central London. There was always a generous sprinkling of such youngsters there being prodded and pushed along by Arthur about their intellectual or career paths. He even published many of them in a volume, *The New Right Enlightenment*,^[17] from his own private publishing firm and set up the IEA's publication *The Journal of Economic Affairs* specifically to give newer younger talent a spot to spread its wings.

He would, I am sure, have reveled in the company of the many young intellectual entrepreneurs recently assembled by the *Atlas Network* in New York City.

Endnotes

[17] *The New Right Enlightenment* (London: Economic and Literary Books, 1985).

5. Stephen Davies, "What Work Would Arthur Seldon Be Encouraging Today?"

I think the points made by Nigel are challenging and should give all of us pause. I agree with the list of areas of intellectual enquiry that Arthur pioneered or encouraged work on. I am afraid that I broadly agree with Nigel's gloomy view that little progress has been made in the 10 areas Arthur identified. However, I would qualify this. I think work has been done in all of these areas, but what has failed is the translation process from academic research and publications to the wider audience of the educated public and the academy in general. As a result, all kinds of analyses have been made by scholars that have not so far had any real impact on semi-popular discussion or on textbooks. One example would be Alberto Alesina's work on the optimum size of political units.^[18] There are signs that this is starting to change, such as the popular success of Daron Acemoglu and James Robinson's work,^[19] but these are very much at the "green shoots" stage. In other areas this is clearly still not the case. For example, in the first on the list, a huge amount of work has been done by economic historians on the history of capitalist modernity and related topics such as the nature of early industrial society in Britain or the nature of post 16th century slavery and the reasons for its demise, or the nature and effects of the New Deal, but popular discussion of these issues is still dominated by ideas and narratives that were formed in the 1950s. A related problem is that many of the scholars doing these kinds of work have done it in an explicitly non-ideological way. The difficulty is that as a result, the findings and arguments float free of any specific context of general principles and concerns, and the conclusions that follow from the work for the bigger questions are not spelt out. The need is to persuade people in the academy that intellectual integrity and high academic quality are perfectly compatible with an explicit commitment to a broad ideology (or explicit *Weltan-*

schaung if you prefer). That combination was crucial to Arthur's intellectual project and needs to be recovered.

Nigel also asks if there have been intellectual developments in other disciplines than economics that would be added to Arthur's list if we were to draw it up today. I think that there have been, particularly in history, philosophy, and psychology, although there are major gaps such as anthropology, theology, and sociology. I would note work on the nature of the self, personal identity, and consciousness; the connections between capitalist modernity and the gradual lenifying of personal behavior and a corresponding decline in violence (an old idea but now put on much more robust foundations); the nature, origins, and development of political power and of different kinds of state; in particular a much better understanding of the history and nature of empires; and a much clearer grasp of the nature of the modern state and its conflicted connection to liberty.

What kinds of project would somebody in Arthur's kind of position look to encouraging today? I would identify firstly the one Nigel pointed to, that of producing a worked out theory of government failure (as opposed to entertaining accounts of particular examples of government cock-ups). Another would be to explicitly examine and criticize the emerging consensus view that we may be facing a condition of secular stagnation. Yet another would be to try to revive the traditional liberal form of class analysis and produce a rigorous economic sociology of ruling-class composition and power. There others that I can think of, but those would be a good start.

Endnotes

[18] Alberto Alesina, "The Size of Countries: Does It Matter?" *Journal of the European Economic Association*, 1:2-3 (2003), 301-16.

[19] Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (London, Profile Books, 2013).

6. Stephen Davies, "Five Kinds of Think Tanks"

The more I think about Arthur and his role and consider the responses of John, Nigel, and Pete, the more I am seized by the realization that there was something unique about the combination of the time and place (British political and media culture in the period from the early 1960s through the later 1980s) and the personal qualities and interests of Arthur Seldon that led to something appearing that hadn't existed before and has proved hard to replicate. Not impossible, however, as I would argue that the model of intellectual inquiry and advocacy that he created is not so connected to specifics of personality and contingent environment that it cannot be reproduced once its main features (which Pete describes well) are known and identified. There are indeed other think tanks like the IEA in terms of the kind of work they produce – I would point to the Brookings Institution as one prominent case.

John makes some rejoinders to me and Pete. Some of these are well taken, but on the whole I'm not persuaded. He is quite right that there are many good authors located outside conventional academia, and indeed many of the works produced by the IEA under Philip Booth's direction fall into this category. Interestingly some of them are by authors you might call refugees from academia, and I think the point about this is that it tells us something about the state of the academy and the decline of work of wider relevance and interest within it as compared to 20 years ago. As for the media, the strategy John describes is indeed what the IEA has done, with considerable success, but there are two persistent challenges. The first is to avoid being sucked into the contemporary media's own agenda and letting your work be driven by the whirligig of media fads. The second is the difficulty of putting over the kind of deeper, more basic questions that Pete mentions when the media tend to focus obsessively on the immediate present.

Like Pete, I don't find the arguments about the peculiar nature of London convincing. I think the point about the focus of donor interests is spot on – the challenge is to find donors such as Fisher or the Liberty Fund's own Mr. Goodrich, who have a longer term focus. I would add that I think we are seeing a reshuf-

fling of think tanks at present, which may provide hope. There are basically five types of think tank:

1. networking clubs for policy makers such as Council on Foreign Relations,
2. scholarly ones like the IEA,
3. policy production shops like Heritage or the Adam Smith Institute,
4. media-oriented or campaigning organizations such as the Center for American Progress, and
5. educational ones.

The third kind are currently the predominant type, but the model has stopped working. As a result wonk shops of the kind Pete describes are changing into one of the other types. In the UK the ASI is moving towards the last type (of which FEE is the premier example), Heritage has clearly become one of the fourth type, while the American Enterprise Institute is moving towards the second model. Cato is poised between becoming a type-four or a type-two institution.

The hope is that we will end up with at least a few clearly identifiable Arthur Seldon-type institutions. What we really need is a pluralism of think tanks but with the distinctions of type and method very clear – what I do not think is possible is to combine the different types in one organization, no matter how large it may be.

7. Nigel Ashford, "IEA v. Heritage"

A theme of several contributions here is the unique nature of the IEA as conceived by Arthur Seldon and why other think tanks have not followed this model. Blundell describes this accurately as making material accessible to the general educated layperson, while still being of use to the expert and the classroom.

Blundell mentions that the IEA focused on the high end of the structure of production. He is talking about the production and distribution of knowledge. There is no consensus on the precise nature of that structure. I follow Hayek (as did Seldon) as outlined in "The Intellectuals and Socialism."^[20] Political change begins with the scholars of original thought, whose ideas then reach "the second hand dealers in ideas," such as professors, journalists, teachers, church minis-

ters, artists, etc. What professions should we add today to the list of intellectuals? Hayek assumes that intellectuals are those who work full time in the realm of ideas. Are there now intellectuals whose income may come from other sources but whose passion is writing and distributing ideas, through a blog, website, or Facebook group? According to Hayek, the intellectuals form the opinions of ordinary people. Politicians and policy makers then respond to public opinion. In this model of political change, the scholars and the intellectuals are at the top. Seldon was focused on the interchange between these two groups. Ed Lopez and Wayne Leighton describe this structure in much more detail than Hayek in *Madmen, Intellectuals and Academic Scribblers*.^[21]

Reviewing the work of many think tanks, I think very few would meet Arthur's standards. They have, in Blundell's phrase, "slipped down the structure of production." Boettke contrasts the IEA with policy think tanks such as the Heritage Foundation. "They are policy think tanks focused on politicians or grassroots think tanks focused on the voting public." I would amend that. Most are directed towards specialist "policy communities." There are at least three problems with the think-tank books of today. First, they are directed at a narrow audience of specialists, not the educated layperson. Second, they seek to solve current policy issues within the existing paradigm, rather than shifting the paradigm. Third, they are written in the jargon that Seldon worked so hard to avoid, thus excluding not only the general public and politicians but also economists in other fields. There is value in this specialist literature, but it leaves "a deep hole." Why does this gap exist?

Is the problem on the supply side, the academics? Davies suggests that changes in the academic world are a major factor: narrow specialization, mathematical formalism, and the lack of career incentives. Blundell suggests that the problem can be overcome by drawing upon other sources than academia, that a wider talent pool exists in industry, banking, finance, and consultants. While many such writers have produced fine books, I believe that academics have unique advantages. First, they are able to conduct basic research. Second, they have a high degree of credibility with general audiences. Third, they are thought to be neutral. So why are academics less interested? At IHS, our FIND Scholars program encourages professors to

reach out to a wider audience. The two biggest obstacles are that: it never occurs to them and they are never asked; and they do not know how to translate their academic research into a form accessible to the educated reader. So this would suggest two steps are necessary. First, it requires think tanks to actively reach out to academics and offer them opportunities. Second, it requires professional editors who can replicate the skills of Arthur Seldon.

Is there a problem on the demand side? Davies identifies changes in the workings of the media. Journalists are less likely to be the medium of transmission between academics and policy makers. The explosion of outlets makes any particular outlet or journalist less important. Davies rightly warns of the danger of trying to satisfy the 24-hour short-term news cycle of daily commentary. The mass media have certainly changed, but the multiplication of outlets has not reduced the amount of serious journalism still to be found in quality newspapers, opinion magazines, and increasingly on the Internet, as Boettke suggests. If anything, the number of intellectual consumers is larger now than ever before in history. In a more competitive media environment, more attention needs to be paid to promoting books. I am amazed at the number of academics who feel that their work has ended once the book has been published. They need a marketing strategy. This is an area in which think tanks could assist, including promoting books they themselves have not published but that further their mission. Holding one book forum in London or Washington, D.C. is not enough. More attention should also be given by think tanks to how to make their books appealing for teaching purposes, course adoptions, and university libraries.

Seldon always included questions for class discussion. One valuable project that would be ideal for an IEA-type think tank is to support the one-volume version of Deidre McCloskey's work on the bourgeois virtues,[22] in cooperation with Art Carden.

We should encourage the adoption of the IEA (Seldon) model, rather than the Heritage model, while adapting to both the demand and supply side of a much different market for knowledge than the one facing Arthur Seldon. He successfully met the challenges of his day. Who will do the same for today?

Endnotes

[20] F. A. Hayek, *The Intellectuals and Socialism* (London: IEA, 1998). <<http://www.iea.org.uk/publications/research/the-intellectuals-and-socialism>>. See also, F. A. Hayek, *The Road to Serfdom, with 'The Intellectuals and Socialism'* (19 Jul 2005). The Reader's Digest condensed version of 'The Road to Serfdom'. Now includes 'The Intellectuals and Socialism'. <<http://www.iea.org.uk/publications/research/the-road-to-serfdom>>. PDF <<http://www.iea.org.uk/sites/default/files/publications/files/upldbook351pdf.pdf>>.

[21] Wayne A. Leighton and Edward J. Lopez, *Madmen, Intellectuals and Academic Scribblers: The Economic Engine of Political Change* (Stanford, Cal.: Stanford Economics and Finance, 2013).

[22] Deidre N. McCloskey, *The Bourgeois Virtues: Ethics for an Age of Commerce* (University of Chicago Press, 2006), and its sequel *Bourgeois Dignity: Why Economics can't explain the Modern World* (University of Chicago Press, 2010). Art Carden's homepage <<http://www.artcarden.com/>>. Guest blogger at Econlib <<http://econlog.econlib.org/author/artcarden.html>>.

4. ADDITIONAL READING

Online Resources

We have works by the following authors on the OLL website:

- Arthur Seldon, *Collected Works*
- Seldon & Harris, *Intellectual Portrait Series*

And also:

- Buchanan
- Ronald Coase
- Milton Friedman
- Pierre F. Goodrich (1894-1973)
- F.A. Hayek
- Frank Knight
- J. S. Mill
- Adam Smith
- Gordon Tullock
- Leland Yeager

Schools of Thought:

- Public Choice
- Austrian School

Arthur Seldon, *The Collected Works of Arthur Seldon*, 7 vols., ed. and with Introductions by Colin Robinson (Indianapolis: Liberty Fund, 2004-5). <<http://oll.libertyfund.org/titles/1825>>.

- Volume 1: *The Virtues of Capitalism* (September 2004)
- Volume 2: *The State Is Rolling Back* (November 2004)
- Volume 3: *Everyman's Dictionary of Economics* (January 2005)
- Volume 4: *Introducing Market Forces into "Public" Services* (February 2005)
- Volume 5: *Government Failure and Over-Government* (May 2005)

- Volume 6: *The Welfare State: Pensions, Health, and Education* (October 2005)
- Volume 7: *The IEA, the LSE, and the Influence of Ideas* (December 2005)

Of which parts of the following are available online:

- vol. 1 (*The Virtues of Capitalism*) <<http://oll.libertyfund.org/titles/1449>>. Chap. 7 "Intellectual Reinforcement for Capitalism," pp. 205-26; Chap. 8 "More "Intellectual Reinforcement for Capitalism," pp. 227-46. <<http://oll.libertyfund.org/pages/intellectual-reinforcement-for-capitalism>>.
- vol. 4 (*Introducing Market Forces into "Public" Services*) <<http://oll.libertyfund.org/titles/1451>>
- vol. 5 (*Government Failure and Over-Government*) <<http://oll.libertyfund.org/titles/1453>>
- vol. 6 - *The Welfare State: Pensions, Health, and Education* <<http://oll.libertyfund.org/titles/1454>>
- vol. 7 (*The IEA, the LSE, and the Influence of Ideas*) <<http://oll.libertyfund.org/titles/1456>>

Contents of the *Collected Works of Arthur Seldon* [mentioned in the discussion]

Volume 1 *The Virtues of Capitalism*

- *Corrigible Capitalism, Incurable Socialism*, 1980
- *Capitalism*, 1990

Volume 2 *The State Is Rolling Back*

- *The State Is Rolling Back*, 1994

Volume 3 *Everyman's Dictionary of Economics*

- *Everyman's Dictionary of Economics* (with F. G. Pennance), 1965, 1975

Volume 4 *Introducing Market Forces into "Public" Services*

- *Which Way to Welfare?* 1966
- *Taxation and Welfare*, 1967
- *Remove the Financing Flaw in "Public" Services* (from *Catch '76*), 1976
- *Charge*, 1977

- Micro-economic Controls (from *The Taming of Government*), 1979
- *The Riddle of the Voucher*, 1986

Volume 5 *Government Failure and Over-Government*

- *Change by Degree or by Convulsion* (from *The Coming Confrontation*), 1978
- *Individual Liberty, Public Goods and Representative Democracy* (from *Ordo*), 1979
- *Avoision: The Moral Blurring of a Legal Distinction* (from *Tax Avoision*), 1979
- ***The Dilemma of Democracy***, 1998
- ***Public Choice in Britain (from Government: Whose Obedient Servant?)***, 2000
- *On the Liberal Emancipation of Mankind* (from *Vordenker einer neuen Wirtschaftspolitik: Festschrift für Christian Watrin*), 2000

Volume 6 *The Welfare State: Pensions, Health, and Education*

- *The Reluctant Crutch: Replace the Repressive State by the Liberating Market* (from *Time and Tide*), 1959
- *Pensions for Prosperity*, 1960
- *The Future of the Welfare State* (from *Encounter*), 1967
- *After the NHS*, 1968
- *The Great Pensions "Swindle,"* 1970
- *Wither the Welfare State*, 1981
- *Pensions without the State and The Verdict of History* (from *Re-privatising Welfare: After the Lost Century*), 1996
- ***The Retreat of the State in Social Welfare (from The Retreat of the State)***, 1998

Volume 7 *The IEA, the LSE, and the Influence of Ideas*

- *The Essence of the IEA* (from *The Emerging Consensus*), 1981
- *New Hope for Economic Policy in a Changing Polity* (from *Agenda for Social Democracy*), 1983
- *Recollections: Before and after The Road to Serfdom* (from *Hayek's Serfdom Revisited*), 1984
- *Economic Scholarship and Political Interest* (from *Ideas, Interests and Consequences*), 1989

- *From the LSE to the IEA* (from *Economic Affairs*), 1998

• ***The Making of the Institute***, 2002
Cumulative Index

Arthur Seldon wrote prefaces to the following IEA Papers [from vol. 7 of the *Collected Works*]:

I. The Hobart Papers

1. *Resale Price Maintenance* (2/60) Prof. Basil S.Yamey LSE
2. *Rents* (3/60) Norman Macrae The Economist
3. *Purchase Tax* (1/61) Prof.Alan R.Prest Cambridge
4. *Growthmanship* (3/61) Colin Clark Oxford
5. *Health through Choice* (10/61) Prof.D. S.Lees Keele University
6. *Common Market* (4/62) Prof. J.E.Meade Cambridge
7. *Wage-Fixing* (6/62) Henry Smith Oxford
8. *Rate-Paying* (3/63) A. R. Ilersic Bedford College,London
9. *Primary Producer Prices* (10/63) Sir Sydney Caine LSE
10. *Education* (2/64) Prof. Alan Peacock & University of York; Prof. Jack Wiseman University of York
11. *Taxation* (7/64) Colin Clark Oxford
12. *Vacant Possession* (7/64) John Carmichael
13. *Incomes Policy* (9/64) Prof.F.W.Paish & LSE; J.Hennessy
14. *Land in the Market* (12/64) Dr.Donald Denman Cambridge
15. *International Money* (2/65) Prof.Gottfried Haberler Harvard
16. *Inheritance Taxing* (3/65) Prof. C.T. Sandford University of Bath

17. Privatised Telephones (6/66) Michael Canes University of Chicago
18. Companies, Shareholders and Growth (8/66) F. R. Jervis
19. Monetary Policy (2/67) Dr.N. J.Gibson University of Manchester
20. Housing and Town Planning (8/67) Prof.F.G.Pennance College of Estate Management, Reading
21. The Price of Blood (3/68) M.H.Cooper & University of Exeter; A. J.Culyer University of Exeter
22. Education (6/68) Prof.E.G.West Carleton University,Canada
23. Paying for TV (7/68) Sir Sydney Caine LSE
24. Money (1/69) Prof.A.A.Walters LSE
25. UK and Floating Exchanges (5/69) Prof.Harry G. Johnson LSE & John E.Nash
26. Incomes Policy (6/69) Prof.F.W. Paish LSE
27. Housing Market (8/69) Prof.F.G. Pennance & Prof.W.A.West College of Estate Management, Reading
28. Industrial Mergers (7/70) Dr.Brian Hindley LSE
29. Competition in Banking (12/70) Brian Griffiths LSE
30. Housing and Whitehall (3/71) Dr.Robert McKie Cambridge
31. Macromoney (4/73) Douglas Rimmer University of Birmingham
32. Macro-thinking (8/73) Prof. L.M.Lachmann University of Hull
33. Aircraft (2/74) Keith Hartley University of York
34. The Price of Prosperity (3/74) Prof.G.C. Allen formerly University of London; Prof. Chiaki Nishiyama International University, Japan
35. Energy Crisis (7/74) Prof.Colin Robinson University of Surrey
36. Theft in Markets (10/74) Prof.R. L.-Carter University of Nottingham
37. Participation without Politics (4/75) Sir Samuel Brittan The Financial Times
38. Choice in Education (10/75) Prof.Alan Maynard University of York
39. Pricing for Pollution (12/75) Prof. Wilfred Beckerman Oxford
40. British Disease (5/76) Prof.G.C.Allen formerly University of London
41. Too Much Money? (6/76) Gordon Pepper (Greenwell); Prof.Geoffrey Wood City University
42. Gold or Paper? (9/76) Prof. E.Victor Morgan University of Wales; Ann D.Morgan
43. The Mixed Economy (6/78) Prof. S. C.Littlechild University of Birmingham
44. How Japan Competes (7/78) Prof.G.C.Allen formerly University of London
45. The Myth of Social Cost (10/78) Prof. Steven N. S.Cheung University of Washington
46. Protectionism (12/79) David Greenaway University of Buckingham;
47. Christopher Milner University of Loughborough
48. Sport in the Market (4/80) Prof. Peter Sloane University of Stirling
49. For Love or Money? (7/80) Dr. Ivy Papps University of Newcastle, England
50. 1980s Unemployment and the Unions (7/80) Prof. F. A.Hayek Universities in USA and Europe
51. Monopoly of Money (7/81) Prof. H. G.Brennan George Mason University; Prof. J.M.Buchanan

52. Future for British Coal? (6/81) Prof. Colin Robinson University of Surrey; Eileen Marshall
53. Unemployment (2/82) Robert Miller & John B. Wood IEA
54. Land and Heritage: Public Interest in Personal Ownership (4/82) Dr. Barry Bracewell-Milnes
55. Will China Go Capitalist? (4/82) Prof. Steven N. S. Cheung University of Washington
56. Government As It Is (2/88) Prof. William C. Mitchell University of Oregon
57. Invisible Hand in Economics and Politics (8/88) Prof. Norman P. Barry University of Buckingham

II. The Hobart Paperbacks

1. Politically Impossible? (5/71) Prof. W. H. Hutt
2. Government and the Market Economy (5/71) Sir Samuel Brittan *The Financial Times*
3. A Tiger by the Tail (1/72) Prof. F. A. Hayek Universities in USA and Europe; Dr. Sudha R. Shenoy University of Newcastle, Australia
4. Bureaucracy: Servant or Master? (9/73) Prof. William A. Niskanen University of California
5. The Cambridge Revolution (10/74) Prof. Mark Blaug University of London
6. The Vote Motive (7/76) Prof. Gordon Tullock Virginia Polytechnic Institute; Dr. Morris Perlman LSE
7. Keynes v. the Keynesians (7/77) Prof. T. W. Hutchison formerly University of Birmingham
8. Choice in Education (10/84) Prof. S. R. Dennison formerly University of Cambridge

III. The IEA Readings

1. The Long Debate on Poverty (9/72)
2. The Economics of Charity (8/73)
3. The Economics of Politics (9/78)
4. Reprivatising Welfare: After the Lost Century (10/96)

Works Mentioned in the Discussion

Think Tanks and Research Centres

- The Institute of Economic Affairs (IEA) website <<http://www.iea.org.uk/>>.
- IEA's *The Journal of Economic Affairs* <<http://www.iea.org.uk/publications/economic-affairs/>>.
- Atlas Economic Research Foundation [Atlas Network] <<http://atlasnetwork.org/>>.
- Cato Institute <<http://www.cato.org/>>
- FEE (Foundation for Economic Education) <<http://www.fee.org>>
- IHS (Institute for Humane Studies) <<http://www.theihs.org/>>
- IHS FIND scholars <<http://www.theihs.org/find-scholars/nonprofit-partners>>
- The Heritage Foundation <<http://www.heritage.org/>>.
- The Taxpayers' Alliance <<http://www.taxpayersalliance.com/>>.
- Atlas Network <<http://atlasnetwork.org/>>.
- The Brookings Institution <<http://www.brookings.edu/>>
- The Council on Foreign Relations <www.cfr.org/>
- The Adam Smith Institute <www.adam-smith.org/>.
- The Center for American Progress <www.americanprogress.org/>
- The American Enterprise Institute <www.aei.org/>

Economic Commentary and Analysis

- Marginal Revolution <<http://marginalrevolution.com/>>

- Project Syndicate <<http://www.project-syndicate.org/>>
- Vox <<http://www.voxeu.org/>>
- The Library of Economics and Liberty (Econlib) <<http://www.econlib.org/>>
- Russ Roberts's podcast series, EconTalk <<http://www.econtalk.org/>>
- Coordination Problem <<http://www.coordinationproblem.org/>>
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7. LAWRENCE WHITE, “LUDWIG VON MISES’S THE THEORY OF MONEY AND CREDIT AT 101” (JANUARY, 2014)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty during the month of January, 2014. The online version of the discussion can be found at <<http://oll.libertyfund.org/pages/misestmc>> and ebook versions at </titles/2618>.

Summary

1912 was the 100th anniversary of the publication of Ludwig von Mises’ book *Theorie des Geldes und der Umlaufsmittel* (The Theory of Money and Credit). In this month’s “Liberty Matters” online discussion our participants debate the importance of Mises’ work as the next step in the application of Austrian economic insights into monetary theory, and in the formulation of a unique Austrian Theory of the Business Cycle (ATBC) which was further developed by Friedrich Hayek and Murray Rothbard. The soundness of his theory of money is tested against the recent emergence of a new form of currency known as Bitcoin.

The Debate

The online discussion consists of the following parts:

1. **Lead Essay:** Lawrence H. White, “Ludwig von Mises’s The Theory of Money and Credit at 101” [Posted: Jan. 7, 2014]

2. Responses and Critiques:

1. Jörg Guido Hülsmann, “Mises and His First-Best Option” [Posted: Jan. 8, 2014]
2. Jeffrey Rogers Hummel, “Mises, the Regression Theorem, and Free Banking” [Posted: Jan. 10, 2014]
3. George Selgin, “Mises Was Lukewarm on Free Banking” [Jan. 12, 2014]

3. The Conversation:

1. Lawrence H. White, “A Response to Hülsmann, Hummel, and Selgin” [Posted: Jan. 15, 2014]
2. Jörg Guido Hülsmann, "What Mises Said" [Posted: Jan. 16, 2014]
3. George Selgin, "Reading off the Page" [Posted: Jan. 16, 2014]
4. Jeffrey Rogers Hummel, “Fractional Reserve Banking and Austrian Business Cycle Theory” [Posted: Jan. 27, 2014]
5. Lawrence H. White, “Further Remarks on Hülsmann and Hummel” [Posted: Jan. 27, 2014]
6. George Selgin, "The Demand for Money Also Matters" [Posted: Jan. 28, 2014]
7. Jörg Guido Hülsmann, "On the Stabilizing Effects of Fractional-Reserve Banking" [Posted: Jan. 31, 2014]
8. Jeffrey Rogers Hummel, "Reply to George Selgin on Austrian Business Cycle Theory" [Posted: Feb. 6, 2014]
9. George Selgin, "Unhelpful Labels: Reply to Hummel" [Posted: Feb. 7, 2014]

About the Authors

Lawrence H. White is Professor of Economics at George Mason University and a senior scholar at the Mercatus Center at GMU. His most recent book, *The Clash of Economic Ideas: The Great Policy Debates and Experiments of the Last Hundred Years* (Cambridge University Press, 2012), traces the scholarly roots of contrasting views about the desirable role of government in the economy. Best known for his work on free banking, White is also the author of *The Theory of Monetary Institutions* (1999), *Free Banking in Britain* (2nd ed., 1995), and *Competition and Currency* (1989), and the editor of *The History of Gold and Silver* (2000), *Free Banking* (1993), and other volumes. His work has appeared in leading professional journals, including the *American Economic Review*, the *Journal of Economic Literature*, and the *Journal of Money, Credit, and Banking*. His popular writings have appeared in the *Wall Street Journal* and on <Forbes.com>. He hosts bimonthly podcasts for *Econ Journal Watch Audio* and blogs at <freebanking.org>.

Jörg Guido Hülsmann is a professor of economics at the University of Angers in France and member of the European Academy of Sciences and Arts. Professor Hülsmann is a Senior Fellow of the Ludwig von Mises Institute and directs the Austrian Economics Research Seminar in Paris. He is the author of *Krise der Inflationkultur* (2013), *The Ethics of Money Production* (2008), *Mises: The Last Knight of Liberalism* (2007), *Ordnung und Anarchie* (2007), *Logik der Währungskonkurrenz* (1996), and *Kritik der Dominanztheorie* (1993). He has edited seven books, most recently *Theory of Money and Fiduciary Media* (2012) on the occasion of the centennial of the first edition of Ludwig von Mises' *Theory of Money and Credit*. Dr Hülsmann's works have been translated into eighteen languages. He received an M.Sc. in mechanical engineering from the Technical University of Berlin, a PhD in economics from the same university, and a Habilitation à diriger des recherches from the University of Paris-Dauphine. His current research focuses on financial economics and capital theory. You can reach him at jgh@guidohuelsmann.com, and visit his website, www.guidohuelsmann.com.

Jeffrey Rogers Hummel is professor in the economics department at San Jose State University and has taught both history and economics. He is the au-

thor of *Emancipating Slaves, Enslaving Free Men: A History of the American Civil War* (the second edition of which was released in November 2013). He wrote the scripts for audio tapes produced by Knowledge Products on the *Constitution* (narrated by Walter Cronkite) and on *American Wars* (narrated by George C. Scott). His articles and reviews have appeared in the *Journal of Economic History*, *Econ Journal Watch*, the *Texas Law Review*, the *Independent Review*, the *International Philosophical Quarterly*, the *Chapman Law Review*, and such popular publications as the *Wall Street Journal*, *Forbes.com*, *Investor's Business Daily*, *The Freeman*, and Liberty Fund's *Library of Economics and Liberty*. He has also contributed to such volumes as *Boom and Bust Banking* (David Beckwith, ed.), *Government and the American Economy* (Price Fishback, ed.), the *Encyclopedia of American Business History and Biography*, *Reassessing the Presidency* (John V. Denson, ed.), and *Arms, Politics, and the Economy* (Robert Higgs, ed.). Professor Hummel, a former National Fellow at Stanford University's Hoover Institution, received his Ph.D. in history from the University of Texas at Austin. He has also worked as publications director at the Independent Institute and was a tank platoon leader in the U.S. Army.

George Selgin is a Professor of Economics at the University of Georgia's Terry College of Business. He is a senior fellow at the Cato Institute. His research covers a broad range of topics within the field of monetary economics, including monetary history, macroeconomic theory, and the history of monetary thought. He is the author of *The Theory of Free Banking* (Rowman & Littlefield, 1988), *Bank Deregulation and Monetary Order* (Routledge, 1996), *Less Than Zero: The Case for a Falling Price Level in a Growing Economy* (The Institute of Economic Affairs, 1997), and, most recently, *Good Money: Birmingham Button Makers, the Royal Mint, and the Beginnings of Modern Coinage* (University of Michigan Press, 2008). He has written as well for numerous scholarly journals, including the *British Numismatic Journal*, *The Economic Journal*, the *Economic History Review*, the *Journal of Economic Literature*, and the *Journal of Money, Credit, and Banking*, and for popular outlets such as *The Christian Science Monitor*, *The Financial Times*, *The Wall Street Journal*, and other popular outlets. Professor Selgin is also, a co-editor of *Econ Journal Watch*, an electronic journal devoted to exposing "inappropriate assumptions, weak chains of argument, phony claims of relevance, and omissions of pertinent truths" in the writings of profes-

sional economists. He holds a B.A. in economics and zoology from Drew University, and a Ph.D. in economics from New York University.

1. LEAD ESSAY: LAWRENCE H. WHITE, “LUDWIG VON MISES’S THE THEORY OF MONEY AND CREDIT AT 101”

In *The Theory of Money and Credit* by Ludwig von Mises we have an intellectual treasure chest: a work filled with theoretical and applied economic insights that continues to be cited and debated a century after its initial publication (first edition 1912). Like Mises’s *Human Action*, it is worth reading more than once. Each rereading yields gems of insight that were not fully appreciated on the previous reading.

Over the years the book has attracted critical attention from prominent economists, especially since its translation into English in 1934. Soon after the first edition appeared the great Swedish economist Knut Wicksell responded to particular points on which it had criticized his view (see Festré 2003). In a review, John Maynard Keynes (1914) praised the book in some respects, but professed to find nothing original in it, presumably due to his later-admitted inability to grasp unfamiliar ideas when reading German (Keynes 1930, p. 199 n.2). In well-known works, J. R. Hicks (1935, p. 2) and Don Patinkin (1956, pp. 71–2) felt compelled to note their differences from Mises’s analysis of the demand for money. More recently economists have cited Mises’s book as anticipating modern analysis, including Nobel laureate Edmund S. Phelps (1968, p. 682) with respect to inflation expectations, and Nobuhiro Kiyotaki and Randall Wright (1989, p. 194) with respect to search-theoretic models of how money emerges.

Economists who have commented on *The Theory of Money and Credit* in some detail (Moss 1976, Rothbard 1976, Schuler 2012, Hülsmann 2013), and others who have commented in passing, have often called attention to three major contributions.

(1) It was the first work to use marginal-utility analysis to explain money demand and thence to explain the purchasing power of the monetary unit and its variation. In doing so it began with the preferences and expectations of individuals. By contrast Irving Fisher’s near-contemporary *Purchasing Power of Money* (1911) propounded the “quantity theory of money,” beginning not with individuals but with aggregative variables in the “equation of exchange.”

(2) It marked a major departure in business-cycle theory by incorporating capital theory to explain real features of cycles. Mises combined (a) the Currency School’s analysis of unsustainable business booms due to the injection effects of an unwarranted money expansion with (b) Wicksell’s analysis of the effects of holding the market rate of interest below the equilibrium or “natural” rate of interest, and (c) Eugen von Böhm-Bawerk’s capital theory, in which having the interest rate at its equilibrium level is the key to coordinating saving preferences with the intertemporal structure of production. From these elements he forged a novel monetary-malinvestment theory of the business cycle. As noted by Festré (2003), “While Wicksell focused on price level fluctuations [as did, we may add, Irving Fisher and other price-level stabilizationists], Mises built a theoretical framework in which business cycles are due to shifts in relative prices.” Building on Mises, F. A. Hayek in a series of works spelled out in greater detail the theory of how a monetary expansion that holds the interest rate too low causes cyclical malinvestment, a systemic distortion in the economy’s intertemporal structure of production that cannot be sustained (1931, 1933, 1939, 1941).

(3) It provided a modern “purchasing power parity” theory of exchange rates, in the tradition of Henry Thornton (1802) and David Ricardo (1821), a few years before Gustav Cassel further developed and spread his own version of the theory (see Humphries 1979).

The second of these contributions has been widely discussed in the literature on Austrian Business Cycle theory. The third has been more or less absorbed into mainstream economics. In what follows I would like to further discuss the first one and to call attention to a fourth:

(4) It spelled out the role of competition among banks of issue in regulating the quantity of fractional-reserve bank-issued money (banknotes and checking accounts), putting the analysis and conclusions of the 19th-century Free Banking School on a firmer footing. In discussing this issue I will draw on an earlier but now inaccessible article of mine (White 1992) explicating Mises’s free-banking views.

The Purchasing Power of Money, the “Regression Theorem,” and Bitcoin

In seeking to explain the purchasing power of money (ppm) by reference to the marginal utility of money to individuals, Mises had to overcome the objection that such an explanation would necessarily be circular. The German economist Helfferich (see Mises 1981, p. 141) had reasoned that a unit of money is valued by any individual according to how much it can buy. Its valuation cannot then be used to *explain* how much it can buy. Mises showed that this vicious circle can be replaced by a harmless helix (McCulloch 1980). An individual values a unit of money according to how much he *expects* it to buy, and the process of forming this expectation will almost unavoidably draw in part (which is not to say exclusively) on his knowledge of the ppm he has most recently observed. Given his expectation of today’s ppm, the individual decides how many units he wants to hold, his quantity demanded. The market quantity demanded is the sum of individual quantities. Equilibrium ppm occurs where the market quantity demanded equals the market quantity supplied. As for all other goods, the exchange ratio for money is determined by the ratio “where both supply and demand are in exact quantitative equilibrium” (Mises 1981, p. 129). Where the quantity supplied exceeds the quantity demanded at the prevailing ppm, the ppm falls through the spending of excess balances. The ppm rises in the reverse case of an excess quantity demanded.

Under Mises’s hypothesis about money demand, today’s ppm draws on yesterday’s, and yesterday’s on that of the day before, and so on. Mises called this proposition “the regression theorem.” How far back does the regression, or historical linkage, go? From a forward-looking perspective of explaining movements in the ppm from here on out, it really doesn’t matter. But logically, Mises explained, for a commodity money it goes back to the day *before* the commodity first started being used as a medium of exchange. On that day it had an exchange value or purchasing power due only to the interaction of its supply with the demand for it as an ordinary commodity (for consumption or for use as a productive input) and not for use as a medium of exchange. For a fiat money like the U.S. dollar that became a fiat money by terminating the redeemability of what had been a claim to a commodity money (Fed-

eral Reserve Notes were once redeemable in silver or gold coin), the historical chain goes back to the day before termination, and thence back to the day before that commodity became a medium of exchange. Application of the logic to a new fiat money that was initially a redeemable claim for an established fiat money (like the Lithuanian talonas, redeemable 1:1 for the Russian ruble) follows straightforwardly.

George Selgin (1994) has insightfully applied Mises’s historical-component hypothesis to explain why all governments that have successfully launched new fiat monies have first given them a fixed redemption value in terms of a commodity or an established fiat money. Donald Patinkin (1956, pp. 114–16, 573–75), on the other hand, has criticized the inclusion of a historical component in Mises’s account of money demand on the grounds that the purchasing power of money (like the relative price of any good in Walrasian general equilibrium theory) can be derived completely ahistorically by thought experiment. Putting real money balances (in purchasing power units) into each agent’s utility function, the economic theorist determines the real quantity of money the agent demands when faced with various hypothetical price vectors. The theorist then aggregates the individual real money demands, confronts them with the nominal supply, and solves at the market level for the ppm (and simultaneously for the vector of other relative prices) consistent with clearing all markets. Taken seriously, this approach suggests that a government might introduce a new fiat money merely by announcing its nominal quantity, leaving its purchasing power to be determined by the market-clearing requirement. Yet this has never been done, which casts doubt on the practical relevance of Patinkin’s logical construct.

J. R. Hicks (1935), in a well-known article published one year after the English translation of *The Theory of Money and Credit*, and four years after the British pound had become irredeemable in gold, commented that the historical component in Mises’s theory makes the value of any fiat paper money the “ghost of gold.” But that is possibly a misleading metaphor. A fiat money is not a specter, but a living money. Its purchasing power evolves according to its own supply and demand changes, uninfluenced (or should we say unhaunted?) by the monetary unit’s past definition. So it might be better to say that in Mises’s theory a fiat standard is the descendent of a deceased commodity standard.

The historical component is only one component that goes into ppm expectations. Mises does not say that a money-demander will base his expected ppm for today *exclusively* on yesterday's ppm. Thus one should not characterize the regression theorem as saying that today's observed ppm by itself *determines* tomorrow's subjective value of money. The former rather *influences* the latter via the individual's ppm expectation. Mises says, quite reasonably, that the money-demander's ppm-expectation-formation incorporates his experience. Ppm expectations need not be static. In a fiat money economy with chronic inflation, the informed individual will make ongoing downward adjustments to his expected ppm. He can also factor in changes in the expected trend of inflation following central bank announcements or his own diagnosis of likely movements in supply or demand. In the case where a commodity standard is suspended (for the duration of a war, say) but resumption is expected, expectations of the future ppm and hence the path of the actual ppm will be accordingly constrained.

While all *governments* that have successfully launched new irredeemable monies have first given them a fixed redemption value, this is not true of the private irredeemable digital medium of exchange known as Bitcoin. A Bitcoin is basically a unique digital string of characters kept on one's hard drive or other storage medium. There are currently about 12 million Bitcoins in existence. The dollar value per unit changes daily. On December 1, 2013, Bitcoin traded at just above \$958 per unit, making the total stock equivalent to more than \$11.8 billion. (The latest value of Bitcoin and other crypto-currencies can be tracked at <http://coinmarketcap.com/>.) As I understand it, the Bitcoin system produces new units at a preprogrammed diminishing rate, set to max out eventually at 21 million units, and awards new units to "miners" whose computers solve math problems generated by the system. Bitcoin units seem to have no ordinary commodity use (no value as anything other than a medium of exchange) and are not redeemable claims to anything. Bitcoin seems to have lifted itself by its own bootstraps from nothingness to a positive purchasing power.

It is accordingly a challenge to account for Bitcoin (its acceptance as a medium of exchange with a positive purchasing power) using Mises's regression theorem. But, as Robert P. Murphy (2013a, 2013b) has argued, it would be a mistake to believe that if Bitcoin

doesn't seem to fit the regression theorem then Bitcoin cannot possibly become money. Bitcoin is already a medium of exchange, that is, some people do trade for Bitcoins in order to use them to purchase goods and services. All that Bitcoin needs to become *money* (a commonly accepted medium of exchange) is wider acceptance, which the regression theorem does not rule out. (See also Šurda 2013.)

Two responses to the challenge seem possible. One is to say that the historical component posited by the regression theorem is *not* strictly necessary to explain the purchasing-power expectations people initially formed for Bitcoin. The historical component is important to the initial medium-of-exchange value of a good that *did* have a market value the previous day as an ordinary commodity, or as a redeemable claim, but it cannot be important to a new medium of exchange that had neither. In such a case purchasing-power expectations must arise entirely from forward-looking speculation. Early adopters who paid positive numbers of dollars (or traded pizzas or devoted CPU time) to acquire Bitcoins did so because they believed that it might attain a higher dollar value in the future. In this account, the value of Bitcoin is basically a bubble, a self-feeding phenomenon unanchored by fundamentals. The trouble with a bubble story, of course, is that it is consistent with *any* price path, and thus gives no explanation for a particular price path. Consistent with the bubble story, some Bitcoin-imitator crypto-currencies have crashed to zero after trying to launch into positive value.

The other possible response is to preserve the universal applicability of the regression theorem by saying that Bitcoin must have been a useful commodity to some people before it became a medium of exchange. As Murphy (2013b) puts a version of this case, it could be argued that "the very first people to trade for it did so because it provided them with *direct* utility because they knew there was at least a chance that it would serve to chafe the governments of the world with their printing presses.... [T]he early adopters of Bitcoin were doing it for ideological reasons, not for pecuniary reasons." Then, once it had an observable positive price, "it was off to the races in terms of standard Misesian theory." This scenario, however, does not deliver what the argument requires, namely, an account of how Bitcoins initially had a positive value *apart from their actual or prospective use as medium of exchange*. The value at

every point in this scenario derives entirely from use or prospective use as a medium of exchange (only such use as a dollar competitor is what might “chafe the governments,” not the existence of untraded digital character strings). The ideological-value story, like the bubble story, does not tell us what the value *per Bitcoin* might be but is consistent with any arbitrary value. It does not explain why, in the fabled first trade of Bitcoins for goods in 2010, the transactors settled on 10,000 BTC for two Papa John’s pizzas (Mangu-Ward 2013), or why anyone else took that price seriously as a basis for forecasting the next day’s Bitcoin purchasing power.

But perhaps there is no explanation for the exchange rate in the first Bitcoin transaction other than whimsy. (Did the transactors consult the electricity costs of mining one Bitcoin at that time?) Perhaps what allowed other traders to begin taking Bitcoin prices seriously was the observed wiliness of many people to engage in similar whimsies, including exchanging dollars for Bitcoins, which gave a historical component to expectations of a positive purchasing power for one Bitcoin.

Mises’s Understanding of Fiduciary Media and Free Banking

In *The Theory of Money and Credit* (1981, p. 299) Mises clearly explained how it is not generally feasible to hold a fractional reserve behind redeemable claims to ordinary commodities, but it is feasible in banking. A firm that issues 1000 tickets reading “redeemable on demand for one loaf of bread” will have to have to be prepared to hand over 1000 loaves of bread, because people who want to eat bread will redeem them. Bread tickets cannot satisfy hunger without being redeemed. But trusted claims to silver or gold coin are different: they can take the place of coins as media of exchange. To the extent that sellers in the marketplace accept payment in a bank’s notes (or checks), holders of the notes (or checking account balances) need not redeem them for coin before heading to the marketplace. Thus the trusted banker who issues 1000 banknotes can prudently count on only a fraction of them, and possibly a very small fraction, being redeemed on any given day. In Mises’s words (p. 300), the trusted banker “is therefore in a position to undertake greater obligations than

he would ever be able to fulfill; it is enough if he takes sufficient precautions to ensure his ability to satisfy promptly that proportion of the claims that is actually enforced against him.” The banker does of course face the problem of accurately estimating the percentage of claims that will actually be redeemed, but “prudent and experienced” bankers “usually manage pretty well with it” (p. 362).

Mises understood and explained the limits on the volume of bank-issued money, or what he called “fiduciary media” (banknotes and checkable account balances in excess of specie reserves), much better than the 19th-century Banking School or Currency School. In the tradition of Henry Thornton (1802) and other “Bullionists,” he showed that the Banking School’s “real bills doctrine” erred in supposing that the banking system could not over-expand by lending on the right kind of collateral. A banking system acting in unison can always lend more by lowering its interest rate on loans. Contrary to Banking School doctrine, “the quantity of fiduciary media in circulation has no natural limits. If for any reason it is desired that it should be limited, then it must be limited by some sort of deliberate human intervention—that is by banking policy.” (p. 346).

But Mises immediately added that a natural limit is absent *only when a uniform interest rate policy is followed by all banks*. Otherwise the banks that expand by lending more at lower rates will be restrained by their losing reserves to banks that don’t. This means that a natural limit is absent *only when the entire banking system is cartelized or directed by a central bank*. Under free banking competition, by contrast, any bank “will be able to circulate more fiduciary media only if there is a demand for them even when the rate of interest charged is not lower than that charged by the banks competing with it” (p. 347). Under free banking there *is* a natural limit to the volume of fiduciary media.

Indeed, free banking competition compels the banks “to increase and decrease their circulation *pari passu* with the variations in the demand for money, so far as the lack of a uniform procedure makes it impossible for them to follow an independent interest policy.” This has an unintended benefit: “But in so doing, they help stabilize the objective exchange value of money” (p. 347). The Banking School had vaguely recognized that the money stock is self-limiting in a com-

petitive system, but they misunderstood the cause (it is gold redeemability working through the clearing system, not the properties of “real bills”). By failing to understand that the quantity of money is self-regulating only under free banking, the Banking School failed to grasp the danger of overexpansion of money under a central-banking system absent some deliberate policy constraint.

The costliness of expanding a bank’s clientele, or the costliness of reserve losses for a bank that issues additional redeemable liabilities without expanding its clientele, means that it is incorrect to characterize fiduciary media as “essentially costless to produce” or to speak of credit as “gratuitous” under redeemability and competition. The quantity of fiduciary media lacks natural limits only under central banking (or, implausibly, a cartel that institutes a uniformly expansionary policy).

Mises’s clear understanding of the natural limits under free banking means that we should regard his recommendations – in the last chapter of Part III of the book, and in the Part IV that was added in 1953 – for “legal limitation of the issue of fiduciary media” as second-best remedies for a polity that will not get rid of its central bank and reinstitute free banking. He writes there about the need for legal restrictions to limit the fiduciary issues of a central bank, not of any need – there is no such need in his view – to artificially limit the issues of a free banking system.

2. RESPONSES AND CRITIQUES

1. Jörg Guido Hülsmann, “Mises and His First-Best Option”

The Theory of Money and Credit reinvigorated the two central assertions of classical economics, that: (1) the wealth of nations depends on nonmonetary factors; and (2) it cannot be increased by stimulating the production of money through political interference. But the mainstream of 20th-century economics did not follow Mises. It followed Irving Fisher and John Maynard Keynes. This is precisely why it is still important and inspiring to read Mises today. Lawrence White is right on target in praising *The Theory of Money and Credit* as an “intellectual treasure chest” that is “worth reading more than once.” He draws our attention to Mises’s regression theorem and to his favorable assessment of the role of competition among banks of issue. We shall follow him onto these grounds, with some more emphasis on free banking.

The Regression Theorem and Bitcoins

Mises developed the regression theorem based on the work of Friedrich von Wieser (Wieser 1929; Hülsmann 2007), who himself could rely on the 19th-century German literature (see Gabriel 2012). Contrary to Wieser, Mises argued in terms of demand and supply, and he later emphasized that the demand for money was not just derived from the subjective value of nonmonetary goods, but from the subjective value of the cash balances themselves.

From an epistemological point of view, the regression theorem does not seem to be an element of Misesian praxeology. It does not concern an *a priori* causal relation (see Hülsmann 2006, North 2012). The subjective value of money depends on the expected future purchasing power of money (PPM), but these expectations are *not necessarily* based on the prior PPM (see Hülsmann 1996, pp.168–71). Moreover, as the case of Bitcoin shows, the subjective value of a medium of exchange need not be based on its expected future PPM at all.

On the question whether Bitcoin initially had a nonmonetary value, I therefore think that Robert Murphy (2013) has a better case than Lawrence White. By contrast, White correctly points out the difficulty of the quantitative determination of the initial Bitcoin value. He offers an initial-whim explanation. This is plausible. Indeed, whimsies are implied in the ideological nature of Bitcoin’s nonmonetary value component.

This ideological component is essential not only for Bitcoin’s initial value, but also for its survival. All media of exchange need a nonmonetary value component. Otherwise their future purchasing power is indeterminate, and they would be driven out of the market when that future purchasing power is – for whatever reason – widely expected to decline (Hülsmann 1996, pp. 263ff). The nonmonetary component of precious metals is well known. The nonmonetary component of fiat monies is the threat of violence (Kusnetzov 1997). The value of U.S. dollars ultimately derives from the fact, known to all users, that U.S. citizens will be coerced into accepting dollars as legal tender for all debts public and private. This provides a rock bottom to the value of U.S. dollars. What is the rock bottom of Bitcoin? Presently it is antistatist ideology. If ever the ideology vanishes, something else will have to take its place. At present, it is not clear what that could be.

Free Banking

Contrary to mainstream monetary thought, Mises insists that changes in the supply of and demand for money do not benefit the economy as a whole. This central idea runs through his monetary thought from beginning to end.

In the third part of *The Theory of Money and Credit*, he refutes one by one the claims purporting to show that the creation of fiduciary media by fractional-reserve banks could be beneficial from an overall point of view. Mises showed that credit granted in the form of fiduciary media was *not* “true credit”; that the issue of fiduciary media was *not* “elastic” in the sense that it accommodated changes in the demand for money at a constant price level; and that the issue of fiduciary media was in principle unlimited. It was also in that third part of his book that he presented his new crisis theory. The point was that not only are fractional-reserve

banks useless from an overall point of view, but they are also in fact harmful to the economy. In conclusion he adopted the policy recommendation of the Currency School (see Hülsmann 2000, Hülsmann 2012, Salerno 2012), arguing that any further creation of fiduciary media should be outlawed.

Starting with the second edition, Mises began to highlight the beneficial role that competition might play in limiting the issue of fiduciary media. I thoroughly disagree with Lawrence White that this was Mises's first-best policy, whereas the outlawing of additional fiduciary media was just a second-best option. It is exactly the other way round. Mises thought the outlawing of additional fiduciary media was the straightforward solution. But the government did not wish to go that way because it had an interest in perpetuating the practice of artificial money creation. It wished to control the banking system in order to channel funds into the public purse, and it imposed central banks upon the market to facilitate the extension of fiduciary media. Compared to *that* policy, Mises preferred not to regulate fractional-reserve banks at all.

But even this stance was not categorical. After all, fractional-reserve banks have an interest in agreeing on uniform policies to facilitate credit expansion. They do not need governments and central banks in this regard (see Mises 1912, p. 426; 1953, p. 397). The long-run implication is patent: "The quantity of fiduciary media in circulation has no natural limits. If for any reason it is desired that it should be limited, then it must be limited by some sort of deliberate human intervention – that is by banking policy" (1912, p. 360; 1980, p. 346). Mises therefore qualified his endorsement of free banking, admonishing his readers not to conflate it with an endorsement of fractional-reserve banking. The prudent approach was to continue watching the banking industry and act accordingly: "If it should prove easier now for the credit-issuing banks to extend their circulation, then failure to adopt measures for limiting the issue of fiduciary media will involve the greatest danger to the stability of economic life" (Mises 1924, p. 410; 1980, p. 439).

Therefore, in spite of his favorable reconsideration of free banking, Mises still maintained the general conclusion of the first edition, in which he advocated the legal interdiction of any further issues of fiduciary media.

2: Jeffrey Rogers Hummel, "Mises, the Regression Theorem, and Free Banking"

My thoughts about *The Theory of Money and Credit* by Ludwig von Mises are inevitably colored by the fact that my first introduction to the discipline of economics was at Grove City College in 1967 in a class taught by Hans Sennholz, a devoted student of Mises. All of us who studied under Sennholz were encouraged to read Mises, and I soon tackled *The Theory of Money and Credit*. The only other book on monetary theory I had read before that was Murray Rothbard's *What Has Government Done to Our Money?* (1964). Consequently, Mises's delving into advanced and somewhat abstruse monetary controversies and his critiquing of other authors with whom I was entirely unfamiliar left me a bit lost, particularly since I was a history major. It is only with subsequent study over the intervening years that I came to understand fully Mises's contributions. I therefore find myself in general agreement with Larry White's appreciation of *The Theory of Money and Credit*. So I will focus my comments on two of the issues he discusses, offering a few elaborations, reservations, and unresolved questions.

Fiat Money and the Regression Theorem

Mises employed his Regression Theorem to explain the acceptance of fiat moneys as media of exchange. According to Larry, "[A]ll governments that have successfully launched new fiat monies have first given them a fixed redemption value in terms of a commodity or an established fiat money." Yet if we interpret the term "redemption" strictly, this is not quite historically accurate. Among the earliest fiat moneys in the West were those issued by the British colonies in North America. Rarely if ever were these "bills of credit," as they were called at the time, *directly and immediately* redeemable for gold or silver at a fixed rate. Instead, they usually were *indirectly* linked to commodity money at a fixed rate through taxes (and often also through legal tender laws that applied to debts enforced in the courts). In other words, unlike Federal Reserve notes, which initially could be exchanged for

gold before they became fiat money, bills of credit were denominated in the colony's unit of account and could be used to pay taxes and other government levies in lieu of the monetary commodity. But bills of credit were rarely immediately redeemable, although they were often accompanied by a promise that at some future date they would become so (Michener 2011).

This reliance on taxation and future redeemability applies also to the Continental currency issued by the U.S. during the American Revolution, to the Greenbacks issued by the Union during the Civil War, and to the currency issued by the Confederacy during the same conflict. Indeed, Confederate currency, unlike Union Greenbacks, was not made legal tender in private transactions but only publicly receivable for taxes. George Selgin's extensive treatment of fiat money's emergence (1994, 816–21), which invokes Mises analysis, is somewhat difficult to interpret. On the one hand, he seems to require only a fixed exchange rate rather than strict redeemability for successful launching of fiat money, thereby encompassing the historical instances I have mentioned. And when George explicitly rejects taxes as a sufficient mechanism, he appears to be referring to a new fiat money using an entirely new unit of account, completely unrelated to and floating against the existing commodity money. However, he also claims that “[p]ublic receivability laws can confer value on a new money only” if “there be real resources at the disposal of government to be exchanged for the new money at administered prices,” which was hardly the case with bills of credit, Greenbacks, and Confederate currency. Whatever George's position, Mises was clearly wrong when he stated that fiat money emerges exclusively “when the coins or notes in question have *already* been in circulation as money-substitutes,” by which he meant “perfectly secure and *immediately* convertible claims” (emphasis mine; 1953, 78).

These historical counterexamples are particularly interesting because Mises, in other passages, inadvertently describes them. He divided what he called “money in the narrower sense” (or what has come to be called *outside money* in modern monetary theory) into not just two categories: commodity and fiat money. He introduced a third category, which in the English translation was designated “credit money.” *The Theory of Money and Credit* defined credit money as “a claim against any physical or legal person,” but one that “must not be both payable on demand and absolutely

secure.... Credit money ... is a claim falling due in the future that is used as a general medium of exchange” (1953, 61–62). Mises continued to posit these three categories in the final edition of *Human Action* (1966, 429). He considered the notes of banks that had temporarily suspended redemption in specie (gold or silver coin) as one example of credit money, but irredeemable moneys launched through taxation fit the category equally well. In fact, Mises (1953, 153) referred to Confederate currency as a specific example of credit money. *The Theory of Money and Credit* went so far as to speculate that most forms of so-called fiat money might in reality be credit money: “Whether fiat money has ever actually existed is, of course, another question, and one that cannot offhand be answered affirmatively. It can hardly be doubted that most of those kinds of money that are not commodity money must be classified as credit money. But only detailed historical investigation could clear this matter up” (1953, 61).

Outside of Sennholz in his lectures, the only Austrian economist (to my knowledge) who has pursued Mises's distinction between fiat and credit money, albeit cursorily, is Joe Salerno (2010, 68–70, 586). Yet this distinction may be more than a terminological quibble. One recent development in monetary theory is the Fiscal Theory of the Price Level (FTPL), most ably advocated by John Cochrane (2005) of the University of Chicago. It is a highly mathematical attempt to formally integrate the impacts of both monetary policy and fiscal policy, and one of its crucial underlying assumptions is that the current value of fiat money depends on people's expectations of the government's future taxes. In other words, it explicitly treats fiat money as what Mises called credit money, and moreover contends that future expected taxes have a significant effect on money's velocity (that is, the reciprocal of the portfolio demand for money) and therefore on the price level. In this respect, the FTPL is building on an extensive literature arguing that expected taxes played the major role in determining the price level in the early fiat (credit) money issues in America. (Smith 1984, 1985a, 1985b, 1988; Wicker 1985; Calomiris 1988a, 1988b; critiques of this literature include Michener 1988; McCallum 1992; and Sumner 1993; for surveys of the debate see Michener and Wright 2006 and Michener 2011.) It is also consistent with Michael Sproul's (2003) much cruder “backing theory of mon-

ey,” which denies the existence of fiat money altogether and about which Sproul (2013) is currently debating Kurt Schuler at the Free Banking blog.

The FTPL does not necessarily undermine the validity Mises’s Regression Theorem as an explanation for the launching of fiat (or credit) money. Nor is it entirely inconsistent with a sophisticated interpretation of the quantity theory of money. Yet it has some far more intriguing implications. Tyler Cowen once emailed me that the FTPL “is formally correct but not so useful; just a way of re-explaining the traditional boxes,” while Greg Mankiw in personal conversation similarly described it as merely “a new vocabulary.” But I believe they are both mistaken. If correct, the FTPL implies that neither fiat nor credit money are true outside money in the sense of being assets only, with no offsetting liability. Instead they are really what current monetary theorists refer to as *inside money*, with future taxes representing the offsetting liability-side, making them much like shares of stock, whose value depends on an anticipated future income stream. Not only does this conclusion eliminate any real-balance effect that can result from fiat or credit money constituting net wealth (unlike commodity money), but it impinges on the long-standing debate over whether a pure inside-money economy would be feasible. Initiated by Knut Wicksell (1936) and addressed by Don Patinkin (1965), this debate was part of the wide-ranging development during the late 1980s and early 1990s of the New Monetary Economics, with Leland Yeager (1997), Tyler Cowen and Randy Kroszner (1994), and George Selgin and Larry White (1994) major participants. I am not myself convinced that the FTPL is correct, but it deserves more attention and discussion than those influenced by Mises’s *Theory of Money and Credit* have given it.

Mises and Free Banking

Larry credits *The Theory of Money and Credit* with “putting the analysis and conclusions of the 19th-century Free Banking School on firmer footing.” Here he is reiterating his interpretation in an earlier article that coincidentally appeared in a Sennholz *festschrift* (White 1992). Larry was somewhat more cautious in that version, admitting that the first edition of *The Theory of Money and Credit* “endorsed free banking mainly by im-

plication” before drawing upon Mises’s subsequent writings to buttress his conclusion. Undoubtedly Mises, like Sennholz, favored unregulated banking and, by the last edition of *Human Action* (1964, 443), was skeptical of any legal imposition of 100 percent reserves, as advocated by Rothbard. But we must carefully distinguish between favoring free banking as a legal regime and predicting how it would operate in practice. I think Larry goes too far when he seems to imply that Mises had in mind the kind of free banking that he (1999) and George (1988) predict would emerge without regulation: that is, a system in which reserve ratios are extremely low and banks adjust the money supply to demand in a way that stabilizes velocity. As much as I may agree with their prediction, I can assure them that Sennholz repeatedly affirmed his belief that unregulated competition among banks would drive reserve ratios up very high and possibly close to 100 percent, and he left the impression that such was Mises’s opinion as well.

Mises himself was never entirely clear whether or not he advocated free banking as a means of approximating Rothbardian ends, neither in *The Theory of Money and Credit* nor in *Human Action*. Yet revealing is his division of “money substitutes” (i.e., inside money) into “money certificates,” that portion 100 percent redeemable for outside money, and “fiduciary media,” the remaining portion exceeding the amount of outside money. The passage that Larry cites where Mises (1953, 312 [note my pagination is different from Larry’s because I am using a different printing of the same edition]) admits that free banking might “help stabilize the objective exchange-value of money” appears to be no more than a minor concession to the Banking School’s penchant for currency elasticity rather than an expression of something Mises found economically desirable. And in *Human Action* (1966, 443) he evinced an unambiguous desire to keep fiduciary media tightly constrained: “Free banking is the only method available for the prevention of the dangers inherent in credit expansion. It would, it is true, not hinder a slow credit expansion, kept within very narrow limits, on the part of cautious banks... . But under free banking, it would have been impossible for credit expansion to have developed into a regular—one is tempted to say normal—feature of the economic system. Only free banking would have rendered the market economy secure against crises and depressions.”

The key phrase, “credit expansion,” did not appear in *The Theory of Money and Credit* until Mises added Part Four to the 1952 edition. But it relates to Austrian business cycle theory, which Mises had first sketched out in the original edition of that work. I have never been entirely comfortable with this theory (Hummel 1979), despite believing that it contains some penetrating insights. Mises defined credit expansion as any *net* increase in fiduciary media in *Human Action* (1966, 434). Although he earlier had conceded that such increases through fractional-reserve banking had, as world output grew, prevented the “undesirable consequence” of a “tremendous increase in the exchange-value of money” (i.e., significant secular deflation), with its “additional harm” of increasing commodity money’s resource cost (1953, 298–99); in the final edition of *Human Action* he is insisting that “the trade cycle” can arise in a “pure market economy” from *any* credit expansion (1964, 573–74). This tension simply highlights one major difficulty with Austrian business cycle theory, no matter which variant from its assorted advocates we examine. It is a theory that hinges on specifying two firm dividing lines: (a) between those financial instruments that constitute inside money and those comprising what Mises considered genuine manifestations of people’s savings, and (b) between those increases in the money stock, however defined, that generate a self-reversing boom and those that do not. Alas, after myriad attempts, no consensus has emerged on either question among Austrian economists.

3: George Selgin, “Mises Was Luke-warm on Free Banking”

I first read *The Theory of Money and Credit* in the spring of 1981. I ought to have been working on a master’s degree in resource economics at the University of Rhode Island. But I’d had my fill of Hotelling’s Rule and was itching to broaden my economic horizons.

Having read many general economics classics while I was an undergrad, I decided to start taking on works dealing with specific fields. Inflation was in the headlines, and monetary theory sounded challenging, so my plan was to start with it and then move on to easier stuff. That I’d read a couple dozen books before yanking *The Theory of Money and Credit* off the shelf turned out to be a lucky break: had I read it too soon, I’d certainly have found it dense, if not impenetrable. Instead, comparing it to everything I’d managed to glean from the other books, I never doubted that, despite its age, it towered over the rest. Indeed, though I’ve read hundreds of other books about money since, including some awfully good ones, none has had a greater influence upon my own thinking on the subject.

The Regression Theorem

Like Larry, I regard Mises’s treatment of the determination of money’s purchasing power, and the “regression theorem” that plays the central part in that treatment, as one of his book’s most important contributions. As Israel Kirzner makes clear in an excellent, though (so far as I’m aware) never-published, essay on the regression theorem, Mises’s approach was unique, not so much because of the particular explanation he offered of how agents come to form their expectations regarding an inconvertible money’s purchasing power, but because he realized that no theory of a fiat money’s equilibrium value could be considered complete unless it accounted for the people’s willingness to treat some particular paper medium, not as so many mere bits of paper, but as an economy’s generally accepted medium of exchange, to which a positive exchange value might reasonably be assigned.[1] Many other theorists—and Don Patinkin, most notoriously of all—simply failed to recognize the challenge posed by the presence of what we would today refer to as “multiple equilibrium solu-

tions” to the value of a (potential) fiat money problem. One solution—the one taken for granted by Patinkin using the Walrasian “tâtonnement” approach—implies a positive equilibrium purchasing power.[2] The other is the one in which a would-be fiat “money” is not actually accepted as such, so that it commands no value at all. Patinkin assumes, in effect, that because agents might humor a Walrasian auctioneer by telling him that they would equip themselves with n units of some would-be paper “money” *if* each unit could buy q baskets of goods, and with $n+x$ units if each could buy $q-z$ baskets (and so on), those agents will in fact happily exchange valuable goods for the “money” in question at the determined equilibrium rate. To see the flaw in this approach, one has only to imagine the Walrasian polling being done using stage money. Evidently we need a theory that can account for the fact that one can buy things with actual fiat monies, but *not* with stage monies. Yet Patinkin didn’t see this, and neither do most of his readers, even today.

Bitcoin

The regression theorem itself constitutes, as I’ve said, but one particular solution—a solution that might now be labeled “backward-looking” expectations-formation. Actual fiat monies are valuable, while stage monies aren’t, because the fact that the former have been valued historically makes the “Patinkin” equilibrium more salient, to backward-glancing agents, than the alternative, zero-value equilibrium. For a long time, as Larry points out, I also regarded this theorem as being the *only* practical solution. Consequently I saw in it the key, not only to the history of fiat money (and, in particular, to the “commodity money—redeemable money substitutes—fiat money” pattern of money’s historical development), but also to the successful launching of new official monies.[3]

Bitcoin’s success has, however, caused me to reconsider my previous understanding of the significance of the regression theorem; for that reason I think it only right that Larry should devote a substantial part of his retrospective to discussing a subject that some may think both esoteric in itself and at most tangential to the subject of Mises’s great work. Bitcoins aren’t even “money,” after all—not, at least, according to the standard definition, which holds that to be “money” a thing

must be, not just an *occasionally* accepted, but a *generally* accepted, medium of exchange. But though Bitcoins aren’t money, their story challenges Mises’s theorem by suggesting that an otherwise valueless medium might become money despite not having a provenance linking it with some commodity progenitor.

Why, in that case, was anyone willing to be the first person to trade something having a well-established value, whether their labor or a pizza or some other good, for an as-yet useless medium? Here there was no question of a “friendly helix” of backward-looking expectations coming to the rescue. From a backward-looking perspective a Bitcoin was no better than a piece of stage money; the salient equilibrium, viewed from that angle, was the zero-value one, based on the prediction that nothing would change. Yet things did change, so that as of this writing a Bitcoin is worth about \$1000. How was this possible?

In a post published at *Freebanking.org* a couple months before Bob Murphy’s EconLib essay appeared, [4] I dubbed this question “the oyster problem”:

It is said[5] that the first person to eat an oyster had to have been exceedingly brave or exceedingly crazy or some of each. But that primordial mollusk eater had nothing on the first, equally anonymous person to receive bitcoins in exchange for valuable merchandise, in the hope of somehow fobbing them off in turn on others. The earlier pioneer might, after all, have simply taken his cue from a seagull or oyster-catcher. Unlike the rise of bitcoin’s network, that of various past money commodities like tobacco, cowries, and salt poses no puzzle: whoever first toyed with accepting such commodities for goods could count on the existence of persons who desired the commodities in question for their own sake, even if no one else was prepared to hazard their employment as exchange media.... The first person to accept bitcoins in exchange, in contrast, couldn’t hope to smoke them, make them into a nice bracelet, or sprinkle them on his food, in case he couldn’t trade them away: he (or she) could *only* hope that someone else would attempt a similar leap of faith, or face the consequences of trading some useful goods or service for so many units of digital dross.[6]

I went on to ask persons having intimate knowledge of Bitcoin transactions to submit their own explanations concerning how Bitcoin solved the oyster problem, and received a bunch of intriguing replies.[7] My

own preferred theory invoked what I called “expressive exchange”—a counterpart to the “expressive voting” solution to the paradox of voting—a solution that treats voting as a source of direct satisfaction, like cheering on one’s favorite sports team while watching them on TV. The person who accepted Bitcoins for that first pizza did it, in other words, because he liked the *ideas* Bitcoin stood for, and wanted to root for them.

As I said, I liked the theory. But now I realize I wasn’t giving the Bitcoin team enough credit. Records show that a just a few persons took part in most early Bitcoin transfers, and especially in the larger-volume ones. My guess is that they all knew each other, and that those trades were more-or-less fictitious, with large values being traded and then traded back again, with the intent of enhancing the prominence of the positive-value equilibrium by drawing attention away from the much larger set of inactive Bitcoin markets. Bitcoin’s inventors, I’m now almost certain, were making conspicuous leaps onto their own bandwagon, so as to encourage others to do so, whether to express themselves or to profit by doing so. In short, a clever marketing strategy, including a little strategic sleight-of-hand, can substitute for history in putting a positive sign on the expected value of an otherwise useless potential exchange medium.

Criticisms

Mises, of course, can hardly be faulted for not having anticipated a possibility that has come as a surprise even to those of us who have watched it unfold. *The Theory of Money and Credit* does, however, suffer, in my humble opinion, from some serious shortcomings. One of them stems from Mises’s refusal to employ raw statistics, let alone econometrics of any sort, to bolster his claims regarding the merits or drawbacks of alternative monetary arrangements. Statistical measures of such things as money’s purchasing power are, admittedly, far from perfect. Nor would they serve any use if alternatives could be judged and compared on strictly *a priori* grounds. Generally, though, *a priori* reasoning alone will not allow one to conclude that monetary arrangement A performs better than arrangement B. In particular, it cannot tell us whether a managed fiat standard is likely to have a more stable purchasing power than a gold standard. Whether it does or doesn’t

is an empirical matter, and as such it is one best settled by reference to the best available statistics, for such statistics, as crude as they may be, are at least better than mere assertions.

Alas, Mises’s disdain for statistics, and especially for statistics purporting to represent “price level” (or the inverse of what Mises’s called money’s “outer objective exchange value”), caused him to rely upon mere assertions in assessing the relative merits of gold and fiat money, and to do so even when available statistics would have supported his case. This was unfortunate, both because it rendered Mises’s particular policy recommendations less persuasive than they might otherwise have been, and because it almost certainly limited the overall appeal of *The Theory of Money and Credit* within a discipline that was becoming more-and-more statistically minded.[8]

Other significant shortcomings of *The Theory of Money and Credit* stem from Mises’s failure to rid himself of certain Currency School prejudices: although Mises, unlike many of his contemporaries, was never a doctrinaire exponent of either Banking or Currency School views, he did not succeed, in my view, in completely resisting some Currency School fallacies. In particular, he endorsed the Currency School view that, under a gold standard, a nation’s money stock ought to vary in strict accord with its monetary gold reserves, while blaming business cycles on deviations from this strict pattern. Mises sets out his opinion most clearly in *Human Action*:

Issuance of fiduciary media, no matter what its quantity may be, always sets in motion those changes in the price structure the description of which is the task of the theory of the trade cycle. Of course, if the additional amount issued is not large, neither are the inevitable effects of the expansion.[9]

The same Currency School prejudice is, however, also implicit in the terminology employed in *The Theory of Money and Credit*, where Mises distinguishes between “commodity credit” and “circulation credit,” the first of which refers to credit based on actual savings.[10] It is not difficult to see how even such terminology, not to mention more explicit statements like that quoted above, have been understood by Rothbard and many others as embodying an implicit endorsement of 100-percent reserve “banking” as against any fractional alternatives, including free banking. At very least, it

must be said (and here I'm afraid I disagree with Larry) that Mises's defense of free banking was a lukewarm one, based on his (mistaken) belief that free banking would offer no scope for any substantial creation of fiduciary media.

Endnotes

[1] Israel Kirzner, "A Note on the Circularity 'Bogey' in the History of the Marginal Utility Theory of Money." Ms., New York University, n.d.

[2] Don Patinkin, *Money, Interest, and Prices*, 2nd. ed. (New York: Harper & Row, 1965), pp. 115–16.

[3] George Selgin, "On Ensuring the Acceptability of a New Fiat Money," *Journal of Money, Credit, and Banking* 26 (4) (November 1994), pp. 808–26, and idem.; "Adaptive Learning and the Transition to Fiat Money," *Economic Journal* 113 (484) (January 2003), pp. 147–65.

[4] Robert P. Murphy, "The Economics of Bitcoin," *Library of Economics and Liberty*, June 3, 2013. <http://www.econlib.org/library/Columns/y2013/Murphybitcoin.html>.

[5] In fact the common statement misquotes Jonathan Swift, who observed, in dialogue 2 of his *Polite Conversation*, that "He was a bold man that first eat an oyster."

[6] "Bitcoin," *Freebanking.org*, April 22, 2013, <http://www.freebanking.org/2013/04/22/bitcoin/>.

[7] "A Challenge to the Bitcoin Community," *Freebanking.org*, May 2, 2013, <http://www.freebanking.org/2013/05/02/a-challenge-to-the-bitcoin-community/>.

[8] See George Selgin, "Ludwig von Mises and the Case for Gold." *The Cato Journal* 19(2) (Fall 1999), pp. 259–77.

[9] Ludwig von Mises, *Human Action* (Chicago: Regnery, 1949), p. 4439n.

[10] *Theory of Money and Credit*, part III, chap. 15, sections 10–12.

3. THE CONVERSATION

1. Lawrence H. White, “A Response to Hülsmann, Hummel, and Selgin” [Posted: Jan. 15, 2014]

I thank Professors Guido Hülsmann, Jeff Hummel, and George Selgin for their thoughtful commentaries. I am broadly in agreement with Hummel’s and Selgin’s comments, but not surprisingly have some serious differences with Hülsmann’s views on banking theory and his interpretation of Mises. (See our previous exchange on free banking in Hülsmann 2003 and White 2003.)

Hülsmann writes that “All media of exchange need a nonmonetary value component.” For fiat money, he says, this component is the “threat of violence,” meaning the collection of taxes and the enforcement of legal-tender laws. This seems to me an unnecessary concession to the state theory of money. Some important evidence weighs against the view that state enforcement is a necessary condition for the continued circulation of a fiat money once it has been launched. In particular, the Somali shilling continued to circulate in Somalia even after the state disappeared, ending the state’s ability to collect taxes or enforce legal-tender laws (Luther and White 2013).

Interpreting Mises’s argument in *The Theory of Money and Credit*, Hülsmann writes: “Mises insists that changes in the supply of and demand for money do not benefit the economy as a whole.” In fact, this is true only of a change in the nominal quantity of fiat money. It was Mises’s view (and it is my view) that a gold standard is different because monetary gold is costly to produce.

Mises explained how a reduction in the demand for monetary gold due to the development of fractional-reserve banking is beneficial under a gold standard. Consider the ordinary case of the global economy in which the stock of monetary gold continues to rise due to gold mining. Because there is no benefit to the economy from increasing the stock of monetary gold in the world as a whole, the labor and capital sacrificed to produce an increased stock is a cost without a benefit. Banking developments that reduce the demand for monetary gold accordingly benefit the economy by

avoiding this cost. With respect to the development of fractional-reserve banknotes and checking accounts as substitute media of exchange in a specie economy, Mises accordingly wrote (*Theory of Money and Credit*, Book III, Chapter 17, para. 4): “If metallic money is employed, then the advantages of a diminution of the demand for money due to the extension of such other means of payment are obvious.” Historically, given the growth of real economic activity,

the tremendous increase in the exchange value of money, which otherwise would have occurred as a consequence of the extension of the use of money, has been completely avoided, together with its undesirable consequences. If it had not been for this the increase in the exchange value of money, and so also of the monetary metal, would have given an increased impetus to the production of the metal. Capital and labor would have been diverted from other branches of production to the production of the monetary metal.... [In consequence] the welfare of the community would have suffered. The increase in the stock of precious metals which serve monetary purposes would not have improved the position of the individual members of the community, would not have increased the satisfaction of their wants; for the monetary function could also have been fulfilled by a smaller stock. And, on the other hand, a smaller quantity of economic goods would have been available for the direct satisfaction of human wants if a part of the capital and labor power that otherwise would have been used for their production had been diverted to mining precious metals.

Mises went on to note that this resource-cost-saving argument applies to a commodity money regime, but not to a credit money or a fiat money.

The statement just quoted comes from the third part of *The Theory of Money and Credit*. It is thus not correct to write, as Hülsmann does, that “In the third part of *The Theory of Money and Credit*, he [Mises] refutes one by one the claims purporting to show that the creation of fiduciary media by fractional-reserve banks could be beneficial from an overall point of view.” In the above-quoted passage Mises makes an important claim of exactly this sort himself.

Likewise it is incorrect to attribute to Mises the (unwarranted) view that “not only are fractional-reserve banks useless from an overall point of view, but they are also in fact harmful to the economy.” Com-

pared to a system where payments can only be made in specie or in transferable titles to specie issued by money warehouses, fractional-reserve banks – far from being useless – provide payment services at lower cost both from the individual transactor’s point of view and from the overall point of view.

In my lead essay I credited Mises with improving economists’ understanding of how adverse clearings limit the quantity of bank-issued money. Hülsmann, by contrast, attributes to Mises the view “that the issue of fiduciary media was in principle unlimited,” which I take to be a paraphrase of Mises’s statements (*Theory of Money and Credit* Book III, ch. 17, para. 26) that “[t]he circulation of fiduciary media ... is only elastic in the sense that it allows of any sort of extension of the circulation, even completely unlimited extension,” and that “[t]he quantity of fiduciary media in circulation has no natural limits.” I quoted the second statement and pointed out that we will miss Mises’s key insight that it does not apply to a competitive free-banking system if one ignores, as Hülsmann does, the immediately following paragraph. There -- I quote it again in hopes that it will not be overlooked again -- Mises writes:

Of course, all of this [lack of a natural limit to bank-issued money] is true only under the assumption that all banks issue fiduciary media according to uniform principles, or that there is only one bank that issues fiduciary media. A single bank carrying on its business in competition with numerous others is not in a position to enter upon an independent discount policy. If regard to the behavior of its competitors prevents it from further reducing the rate of interest in bank-credit transactions, then -- apart from an extension of its clientele -- it will be able to circulate more fiduciary media only if there is a demand for them even when the rate of interest charged is not lower than that charged by the banks competing with it. Thus the banks may be seen to pay a certain amount of regard to the periodical fluctuations in the demand for money. They increase and decrease their circulation *pari passu* with the variations in the demand for money, so far as the lack of a uniform procedure makes it impossible for them to follow an independent interest policy. But in doing so, they help to stabilize the objective exchange value of money. To this extent, therefore, the theory of the elasticity of the circulation of fiduciary media is correct; it has rightly apprehended one of the phenomena of the

market, even if it has also completely misapprehended its cause.

What is the referenced “theory of the elasticity of the circulation of fiduciary media” that has “completely misapprehended” the cause of the demand-elasticity of bank-issued money? It is the pair of erroneous Banking School doctrines known as the Fullartonian “law of the reflux” and the Real Bills Doctrine. The correct apprehension of the cause is the theory of adverse clearings, as partially understood by some Free Banking School writers in the 19th century, better understood by Mises, and as most thoroughly explained in recent years by George Selgin in *The Theory of Free Banking* (1988) and other works.

Under what conditions is it true that “the issue of fiduciary media [is] in principle unlimited”? The issue of *fiat money* is unlimited by economic forces, but “fiduciary media” refers to redeemable bank liabilities and not to fiat money. Redeemable liabilities are not gratuitously issued but are costly for any bank to keep in circulation in a competitive environment. The issue of fiduciary is unlimited only in the analytical limiting case (never historically realized) of a single world banking system with a single issuer of fiduciary media (or a perfect cartel among all issuers) and zero public demand to hold the medium of redemption (which, by the way, is inconsistent with gold being the medium of redemption), so that the issuing bank’s risk of reserve loss is zero no matter how great the volume issued. Short of that case, the risk of adverse clearings or over-the-counter reserve losses strictly limits the ratio of bank-issued money to bank reserves to a finite number.

Hülsmann seems to think – despite all historical evidence (Dowd 1993, White 1995, White 2003) – that a perfect cartel among all banks of issue is a reasonable approximation to historical systems in which banks were free to issue fiduciary media. He even cites Mises in a way suggesting that he thinks that this was Mises’s position: “After all, fractional-reserve banks have an interest in agreeing on uniform policies to facilitate credit expansion. They do not need governments and central banks in this regard (see Mises 1912, p. 426; 1953, p. 397).”

This statement is mistaken in three respects. First, if banks could collude, their interest would lie, like any monopolist’s or monopoly cartel’s, in *restricting* industry output and thereby getting a higher price and a mo-

nopoly profit. In banking, this means that a profit-seeking bank cartel would seek to charge *higher* interest rates on loans (and to pay lower interest rates on deposits). To do so requires the cartel to move *up* the industry demand curve for bank loans to a *smaller* volume of loans, which implies a *smaller* volume of liabilities (holding constant banks' other interest-earning assets and non-deposit sources of funds) than under competition. Second, again like firms in any industry, there is no reason to think that banks can successfully collude without government (via the government central bank or otherwise) to enforce the cartel's prices. When the rest of the industry is charging loan rates above the competitive level (the interest rate on deposits plus the marginal cost of intermediation), any individual bank can profit by undercutting the cartel, lending more at a slightly lower loan rate, thereby undermining the cartel's attempt to fix the loan rate. Third, Mises quite clearly found it absurd to suppose that a banking industry could collude to bring about a uniform proportional expansion in every bank's liabilities, so as to avoid the adverse clearings that constrain any non-uniform expansion. Mises noted in *Human Action* that the self-interest of reputable banks lies in not cooperating with less responsible banks. He wrote (Mises 1966, ch. 17, para. 159):

But, some people may ask, what about a cartel of the commercial banks? Could not the banks collude for the sake of a boundless expansion of their issuance of fiduciary media? The objection is preposterous. As long as the public is not, by government interference, deprived of the right of withdrawing its deposits, no bank can risk its own good will by collusion with banks whose good will is not so high as its own.... Under free banking a cartel of banks would destroy the country's whole banking system. It would not serve the interests of any bank.

Let me turn to Jeff Hummel's contribution. Hummel notes that historically some governments have launched new monies without first giving them a fixed spot-redemption value, by promising future redemption in gold or receivability for taxes. These, he rightly notes, are "credit money" in Mises's terminology (as translated). He considers this a correction of my statement that the launching of new government fiat monies has always proceeded by ending redeemability of a previously spot-redeemable money. I do not dispute these cases, and I would have worded my statement differently if I had thought about them. However,

Hummel and I are not in disagreement, because when I said fiat money, I meant fiat money, not credit money.

Hummel cautions that my essay "goes too far when he seems to imply that Mises had in mind the kind of free banking ... system in which reserve ratios are extremely low and banks adjust the money supply to demand in a way that stabilizes velocity." Mises did of course emphasize the *restraint* that free banking imposes on the volume of bank-issued money. Hummel refers to Mises's "unambiguous desire to keep fiduciary media tightly constrained," and appropriately quotes *Human Action* (Mises 1966, p. 443): "Free banking is the only method available for the prevention of the dangers inherent in credit expansion."

I see no difference between Mises's view and my own view in that regard – I also desire a system that keeps the volume of money tightly constrained to its warranted volume.

But Mises in *Human Action* (p. 446) does quote Cernuschi to the effect that free banking would have narrowed the use of banknotes considerably, and in other ways suggests that reserve ratios under free banking would be, as Hummel puts it, "up very high and possibly close to 100 percent." If that is Mises's prediction, then on this point I do depart from Mises. In my 1992 essay that Hummel cites, I criticized Mises for suggesting that free banking would produce reserve ratios close to 100 percent. The best historical evidence we have, from the Scottish free-banking system and other mature systems, shows reserve ratios below 10 percent. This appears to be another instance of the point Selgin made in his contribution: that an empirical question of magnitude cannot be settled by a priori reasoning. We need to look at the historical evidence.

Hummel highlights Mises's division of bank-issued money into "money certificates" and "fiduciary media." According to this conceptual scheme, if a bank issues 100 in banknotes against 10 in reserves and 90 in loans, the first 10 banknotes are "money certificates" and the remaining 90 are "fiduciary media." I am puzzled by this way of dividing things. It seems anti-subjectivist, because from the point of view of a banknote's holder, the "last" banknote issued by a bank with fractional reserves is identical to the "first." It makes more sense to distinguish inside money from outside (base) money, or equivalently, bank-issued money from reserve money.

Hummel goes on to quote Mises's statement that free banking "would, it is true, not hinder a slow credit expansion, kept within very narrow limits, on the part of cautious banks."

It isn't entirely clear what proposition Mises is advancing in this sentence. Under a constant set of parameters, the equilibrium quantity of bank-issued money is determined. A slow credit expansion requires a slow change in one or more of the parameters. But exactly what parametric change is Mises supposing? A slow secular decline in the cost of topping up low reserves on short notice? A slow rise in the fraction of the public prepared to hold bank-issued media? If one of these two secular trends is assumed, then I am in full agreement the proposition that a free banking system would respond with an appropriately slow expansion in bank-issued money.

Turning now to George Selgin's comments, I agree with most of what Selgin has to say about the regression theorem and Bitcoin. I would reemphasize the point I tried to make in my lead essay, that while Bitcoin's appeal to antistatists is undeniable, that link does not determine the *magnitude* of the real purchasing power of one Bitcoin in the same way as a "rock-bottom" (to use Hülsmann's term) purchasing power of gold is determined by the intersection of the supply curve with the nonmonetary demand curve for gold. To know where to draw the demand curve for real Bitcoins, we would have to suppose that the ideological desire is not merely to participate in holding a nonstate medium of exchange, but to hold *so many dollars-worth*.

Selgin's hypothesis that Bitcoin's founders were "making conspicuous leaps onto their own bandwagon, so as to encourage others to do so," and in so doing were pursuing "a clever marketing strategy," seems plausible, but awaits historical documentation. Since there is a public record of all Bitcoin transactions, it should be possible to discover whether there was an in-group pattern of offsetting trades in the early transactions. If true, we should expect to see the same pattern in the launchings of the 70 other cyber-currencies (listed at <http://coinmarketcap.com/>) that emulate Bitcoin, the largest of which is Litecoin.

Needless to say, given my own efforts (White 2013, 2014) to show that the gold standard has outperformed fiat money as judged by price indices and other histori-

cal statistics, I agree with Selgin that "reference to the best available statistics" trumps "mere assertions."

Finally, I agree with Selgin that Mises was far too sweeping when he wrote that "Issuance of fiduciary media, no matter what its quantity may be, always sets in motion those changes in the price structure the description of which is the task of the theory of the trade cycle." As I noted in a footnote in my 1992 essay, an increase of bank-issued money that matches an increase in the demand to hold bank-issued money is not disequilibrating but the reverse. It prevents a liquidity spillover from the market for money balances to the market for loanable funds, and thereby prevents a disequilibrating rise of the market interest rate above the natural rate, rather than causing the market rate to fall below the natural rate.

2. Jörg Guido Hülsmann, "What Mises Said" [Posted: Jan. 16, 2014]

In his response to my comment, Professor White focuses on two questions pertaining to Mises's theory of banking:

1. whether Mises thought there were advantages to the economy as a whole if the demand for monetary gold diminishes due to the development of fractional-reserve banking; and
2. whether Mises thought that the production of fiduciary media tends to be limited under fractional-reserve banking.

Lawrence White believes my interpretation of Mises to be wrong, at any rate as far as these two points are concerned. Let me therefore address them in turn.

(1) It is correct that the development of fractional-reserve banking tends to diminish the demand for base money under a gold standard. It is correct that Mises, in the second and third parts of *The Theory of Money and Credit*, highlighted that this tendency implied that more original factors of production could be devoted to the production of other goods. And it is also correct that, in the first edition (1912), Mises considered this tendency to be beneficial from an overall point of view.

However, he thoroughly reconsidered his position in later works, especially in second edition of *The Theo-*

ry of *Money and Credit* (1924) and again in the fourth part added to the 1953 American edition. More precisely, while he still acknowledged that the development of fractional-reserve banking tends to diminish the production of gold, he no longer held this to be beneficial.

In the concluding chapter of the third part (chap. 20, III, sections 9 and 10) he now stated that the (fractional reserve) gold-exchange standard was pointless because it did not effectively rein in monetary interventionism. The only alternative was either to go the full way to fiduciary media or to return to the actual use of gold in daily exchanges. He clearly opted for the latter alternative. (See Mises 1924, pp. 403f; 1980, pp. 432f.)

He explains his reform plan in more detail in the fourth part added to the 1953 edition. But the objective is the same as in 1924, namely, the establishment of an effective gold-coin circulation. He wrote: “Gold must be in the cash holdings of everybody. Everybody must see gold coins changing hands, must be used to having gold coins in his pockets, to receiving gold coins when he cashes his paycheck, and to spending gold coins when he buys in a store.” (1980, p. 493)

Let us now step back and consider what this means. Mises did not change his analysis of the resource-cost-saving *mechanism*. The development of fractional-reserve banking tends to diminish the production of gold, and this liberates labor and land resources that can now be devoted to other production projects. But this tendency no longer appears to be *beneficial*. The “resource-cost-savings” made possible by fractional-reserve banking now appear to be as foolish as the resource-cost-savings of building a car without breaks or shock absorbers.

In other words, Mises had come to the conclusion that the resource costs of gold production were worth the while. In *Human Action* he recognized that he had once been wrong in endorsing the gold-exchange standard in previous works. (See Mises 1949, chap. 31, section 3, p. 780.) In another chapter he stated: “If one looks at the catastrophic consequences of the great paper money inflations, one must admit that the expensiveness of gold production is the minor evil.” (Mises 1949, chap. 17, section 6, p. 419)

Hence, Lawrence White’s contention that Mises considered the resource-cost-saving induced by frac-

tional-reserve banking to be beneficial from an overall point of view is correct only for the German-language first edition of 1912. In all other editions Mises revised this earlier stance, both in the third part of the *Theory of Money and Credit*, but also in the fourth part of the same book, as well as in *Human Action*.

(2) According to Lawrence White, Mises thought that the production of fiduciary media tended to be limited under fractional-reserve banking. Professor White was kind enough to reiterate a lengthy quote from Mises that allegedly substantiates this contention. I shall reciprocate the favor by quoting this passage again, yet with two supplements: First, I shall also quote the few lines that immediately follow the said passage and that conclude section 4 of chapter 17. Second, I shall modify a few sentences of the translation (**highlighted**), because the English text is here not 100 percent covered by the German collateral:

The circulation of fiduciary media is in fact not elastic in the sense that it automatically accommodates the demand for money to the stock of money without influencing the **inner** objective exchange value of money, as is erroneously asserted. It is only elastic in the sense that it allows of any sort of extension of the circulation, even completely unlimited extension, just as it allows of any sort of restriction. The quantity of fiduciary media in circulation has no natural limits. If for any reason it is desired that it should be limited, then it must be limited by some sort of deliberate human intervention -- that is by banking policy.

Of course, all of this is true only under the assumption that all banks issue fiduciary media according to uniform principles, or that there is only one bank that issues fiduciary media. A single bank carrying on its business in competition with numerous others is not in a position to enter upon an independent discount policy. If regard to the behavior of its competitors prevents it from further reducing the rate of interest in bank-credit transactions, then—apart from an extension of its clientele—it will be able to circulate more fiduciary media only if there is a demand for them even when the rate of interest charged is not lower than that charged by the banks competing with it. **Thus we see that, up to a point, the banks pay regard to the periodical fluctuations in the demand for money.** They increase and decrease their circulation *pari passu* with the variations in the demand for money, so far as the lack of a uniform procedure makes it impossible for them

to follow an independent interest policy. **But in doing so, they make an essential contribution to stabilizing the inner objective exchange value of money. In this regard, therefore, the theory of the elasticity of the circulation of fiduciary media is correct; it has rightly apprehended a tendency manifesting itself on the market, even if it has also completely misapprehended its cause. And precisely because it has employed a false principle for explaining the phenomenon that it has observed, it has also completely closed the way to understanding of a second tendency of the market that emanates from the circulation of fiduciary media.** It was possible for it to overlook the fact that so far as the banks proceed uniformly, there must be a continual augmentation of the circulation of fiduciary media, and consequently a fall of the **inner** objective exchange value of money. [Mises 1912, pp. 360f; cf. Mises 1980, pp. 346f]

The crucial point is this: Mises held that the production of fiduciary media entailed *two possible tendencies*. If the banks agree on common procedures, the production of fiduciary media is in principle unlimited. If the banks do *not* agree on common procedures, the further production of fiduciary media is slowed down. He repeats this view in several passages of the third part of his book. (See for example Mises 1912, pp. 340, 420, 425f, 444.)

Then why did he state that “quantity of fiduciary media in circulation has no natural limits”? I think the reason is quite straightforward. Mises believed that the second tendency dominates the first one. *Temporarily*, it is possible and even likely that fractional-reserve banks do not reach the agreement needed for *quick* credit expansion. But credit expansion is nevertheless the long-run tendency, for two reasons.

On the one hand, credit expansion does not necessarily have to be fast; it can also occur in a creeping trial-and-error process. Mises wrote (1980, p. 411): “So long as the banks do not come to an agreement among themselves concerning the extension of credit, the circulation of fiduciary media can indeed be increased slowly, but it cannot be increased in a sweeping fashion. Each individual bank can only make a small step forward and must then wait until the others have followed its example.”

On the other hand, the banks may eventually reach an agreement, in which case credit expansion can proceed at a much faster pace. This is actually the scenario that Mises envisioned in developing his business-cycle theory in chapter 19. He wrote:

We know ... that all credit-issuing banks endeavor to extend their circulation of fiduciary media as much as possible, and that the only obstacles in their way nowadays are legal prescriptions and business customs concerning the covering of notes and deposits, not any resistance on the part of the public. If there were no artificial restriction of the credit system at all, and if the individual credit-issuing banks could agree to parallel procedure, then the complete cessation of the use of money would only be a question of time.

This passage is intriguing for more than one reason. It not only shows that Mises believed that the “second tendency” – the one toward a continual augmentation of the circulation of fiduciary media – dominated the first tendency. It also highlights the fact that Mises had a different conception of the workings of free fractional-reserve banking, and of the collusion between such banks, than Professor White.

Mises held that *all* credit-issuing banks try to issue as many fiduciary media as possible. They do not need to be cartelized through government interventions (although that might possibly speed up the process), but have a self-interest in doing so. *In spite of* political interference, such as legal reserve ratios, however, the long-run tendency was for fractional-reserve banks to cartelize, first on the national level and eventually on a global level. This is what Mises purports to show in chapter 16, where he deals with the “evolution of fiduciary media.” The driving force of this process is the basic and perennial motivation of *all* banks to increase their issue of fiduciary media. At the time of writing *The Theory of Money and Credit*, he saw the biggest obstacle to the establishment of a world bank and the full cartelization of all fractional-reserve banks not in the inability of the *banks* to come to an agreement, but in the reluctance of *governments*. (See Mises 1912, pp. 339f; 1980, p. 329.)

It is true that, starting from the second edition (1924), Mises underscored the short-run benefits of competition between fractional-reserve banks, and in *Human Action* he downplayed the strength and even the existence of the “second tendency.” Professor White

gives a pertinent quote in which Mises (1949, chap. 17, p. 444) questions the likelihood of the establishment of a banking cartel without government support. However, even then Mises upheld his standard position. Free fractional-reserve banking is the second-best option. The first-best option is to stop any further production of fiduciary media. The very section in *Human Action* in which Mises rejects the scenario of a banking cartel ends with the following statement:

Government interference with the present state of banking affairs could be justified if its aim were to liquidate the unsatisfactory conditions by preventing or at least seriously restricting any further credit expansion. In fact, the chief objective of present-day government interference is to intensify further credit expansion. This policy is doomed to failure. Sooner or later it must result in a catastrophe. [Mises 1949, p. 445]

These are Mises's views. Now we can discuss the question whether they are correct. Professor White does not think they are, but he will not be surprised that I think *he* is wrong. For the sake of brevity, however, I shall conclude with a few cursory statements pertaining to three of his errors.

First, Lawrence White claims that the "issue of fiduciary media is unlimited only in the analytical limiting case (never historically realized) of a single world banking system with a single issuer of fiduciary media," etc. It is true that such a unified world banking system has never existed, but that does not mean that there is no tendency toward its establishment. I happen to think that such a tendency exists, or is at any rate much more plausible than the model of free fractional-reserve banking cherished in the writings of Professor White. Fractional-reserve banking without collusion not only is an "analytical limiting case (never historically realized)," but there is also not the slightest reason to think that it ever will come to be.

Second, it is not correct that collusion among banks could only aim at restricting industry output. The point of collusion is to increase the revenues of cartel members beyond the level that would be possible under competition. Usually that involves restricting output, but in the case of fractional-reserve banking it implies increasing output.

Third, is there really "no reason to think that banks can successfully collude without government ...

to enforce the cartels' prices"? I agree that this is improbable in most circumstances, but then again the fractional-reserve industry is special because it is built on the obfuscation and outright violation of property rights. And then there is also another consideration, highlighted by Professor White himself, who has argued that private central banks can evolve out of clearing house associations. (See White 1999, pp. 70ff.)

3. George Selgin, "Reading off the Page" [Posted: Jan. 16, 2014]

Although I suppose that I'm expected to reply to Larry's remark concerning my comment on his essay, it is to Guido Hülsmann's latest reply to Larry that I find myself tempted to respond. For in that reply Professor Hülsmann exhibits the tendency, all too common among 100-percent reserve types, to confuse Mises' opinions with their own.

For example, Hülsmann points out that Mises thought the gold *exchange* standard "pointless because it did not effectively rein in monetary intervention." He then states that the only other options were "to go the full way to fiduciary media or to return to the actual use of coins in daily exchanges" and that Mises "clearly opted for the latter alternative." Finally, he says that "this means" that, despite its capacity to limit gold production, fractional reserve banking was not, in Mises's opinion, beneficial. If you cannot spot the *non sequitur* lurking in this chain of reasoning, then perhaps you have never heard of the *classical* gold standard -- an arrangement in which both actual gold coins and fractionally backed bank deposits and notes serves as exchange media. I do not doubt, however, that Professor Hülsmann has heard of it. So why does he overlook it in interpreting Mises? Could it be that he is tempted to do so because he must do so in order to portray Mises as having opposed fractional reserves?

By the way, Adam Smith, who believed no less than Mises did that "Everybody must be used to having gold coins in his pockets," and whose well-known opinion on this matter almost certainly informed Mises's stand, also wrote eloquently of the resource-cost savings to be had from fractional reserve banking. If in insisting on a gold-coin standard Adam Smith also

meant to condemn fractional reserve banking, he has yet to be properly understood by anyone.

Further on in his reply, Hülsmann refers to Mises's claim that *if* banks manage to "agree on common procedures" (meaning that they arrange to expand credit in unison), "the production of fiduciary media is *in principle* unlimited" (my emphasis). Next he brandishes Mises's claim that "all credit-issuing banks *endeavor* to extend their circulation of fiduciary media as much as possible" (my emphasis again), which he proceeds to reiterate: "banks *try* to issue as many fiduciary media as possible" (ditto), this being their "perennial *motivation*." Finally, he concludes, once again without clear warrant, that Mises did *not* think it unlikely that banks could succeed in expanding credit in unison, particularly by lobbying either for the establishment of a central bank or for "full cartelization" of the banking industry, and that Mises therefore regarded free fractional reserve banking as a second-best alternative, if that, to its outright prohibition.

All of which is, or ought to be, deeply unsatisfying to anyone conversant with the general thrust of economics, and of the theory of competition especially, since Adam Smith. *Of course* businessmen covet monopoly power; *of course* they'd like to be members of a cartel, if only they could hold one together; *of course* they may try to get the government to cater to their desires. The question is, what should economists do about it? Should they conclude that competition is a bad thing, or a distant "second best" thing? Should they plead for *banning* any industry that *might* harm the public *if* the government makes either a monopoly or a cartel of it, instead of pleading for the government to stay out of it? I'm pretty sure that Hülsmann, asked to answer this question with reference to any industry other than banking, would offer the conventional answer. He is, in any case, entitled to be as inconsistent as he likes. But if he wishes to attribute the same inconsistency to Mises, he is a long way from making his case.

4. Jeffrey Rogers Hummel, "Fractional Reserve Banking and Austrian Business Cycle Theory" [Posted: Jan. 27, 2014]

As I feared, the discussion so far has descended to the interminable debate over the legitimacy and desirability of fractional-reserve banking. Larry, George, and I line up on one side, concluding that fractional-reserve banking, if unregulated and unsubsidized, provides important monetary and economic benefits that far outweigh any potential downside. Guido embraces Murray Rothbard's total opposition to anything but 100 percent reserves. This has spilled over into our interpretations of Mises's texts, with Larry, George, and me in fundamental agreement (with possibly some slight disagreements), while Guido tries to demonstrate that Mises ultimately came to the same position as Rothbard. These interpretative disputes are inevitable. The reason is that Mises, like all writers and thinkers, displayed occasional ambiguity and (as Guido does point out) was not perfectly consistent and unchanging across writings that spanned over half a century.

To nudge the discussion in a more productive direction, I would like to explore how Mises's contributions impinge on an issue of current concern to economists of all stripes: the business cycle.

At the close of my initial contribution to the discussion, I mentioned two unresolved questions about Austrian business cycle theory. *The Theory of Money and Credit's* first edition introduced this theory, which since then has evolved into four slightly different variants. (1) The original variant of both Mises and Friedrich Hayek (1931, 1933, 1939), despite minor differences in emphasis, primarily focused on how credit expansion -- instigated either by government or the banking system -- causes self-reversing malinvestment in the economy's capital structure. (2) Rothbard's variant (1963) added his blanket hostility to fractional-reserves and a concomitant enthusiasm for deflationary bank panics that cleanse the economy. (3) Roger Garrison's variant (2001), building on his understanding of some passages in Mises, posits that malinvestment and the resulting correction drive the economy off its long-run production possibilities frontier, first outward and then inward. This permits the boom to simultaneously increase both consumption and investment. Garrison thereby implicitly incorporates the upward-sloping short-run aggre-

gate supply curve that populates so many mainstream models of the macroeconomy. (4) George's (1988), Larry's, and Steve Horwitz's (1992) variant, building instead on Hayek, grants almost equal billing to velocity shocks along with monetary shocks as a source of business cycles and couples that with Leland Yeager's (1997) analysis of the disequilibrating effects of excess supplies and demands for money, making their version into a kind of Austrian-Keynesian-Monetarist amalgam.

Despite what they have in common, these four variants imply divergent answers to the two questions I raised in my previous comment. As I emphasized, Austrian business cycle theory "hinges on specifying two firm dividing lines: (a) between those financial instruments that constitute inside money and those comprising what Mises considered genuine manifestations of people's savings, and (b) between those increases in the money stock, however defined, that generate a self-reversing boom and those that do not." The Rothbard variant denies that autonomous changes in velocity play any role in the cycle, contending that they merely represent changes in people's preferences about the demand for money. Not only does this differ from the Selgin-White-Horwitz position, which like Keynesian theory, views negative velocity shocks as a potential source of depressions. But it also differs from the orthodox Monetarist position, which denies the *empirical* significance of autonomous shifts in velocity. Changes in money demand, according to the Monetarist position, are primarily driven by monetary shocks. And Garrison, in some of his writings (2005, 491), has endorsed this conclusion: "An exogenous change in money demand is rarely if ever the source of a macroeconomic disruption. (Here, the Austrians fall in with the monetarists.)"

Rothbard, by eliminating any role for velocity, confines the cause of business cycles to only monetary fluctuations. This makes a precise definition of what constitutes inside money all the more critical. Yet even hardcore Rothbardians disagree about what financial instruments should be included. Should you count small time deposits (CDs), which are not negotiable like checking accounts but are redeemable *de facto* on demand at a penalty rate? If you do, then an increase in their quantity (without a change in any other component of the money stock) must induce malinvestment; if you do not count them, the increase becomes merely

a change in time preference. Rothbard's definition of the money stock at one point (1978) included small time deposits at their penalty rate, whereas such Rothbardians as Joseph Salerno (2010, 115-30) and Frank Shostak (2000) both exclude them. Salerno's definition includes both savings deposits and money market deposit accounts, whereas Shostak excludes savings deposits. These may seem trivial, technical differences. You can quibble about them endlessly, and I could mention several others, or about the differences all three have with Larry's preferred definition (1986). But on top of creating ambiguity about what 100 percent reserves would look like, these disagreements make the entire concept of "credit expansion" vague and ill-defined.

George, Larry, and Horwitz get around this problem by arguing that unregulated free banking, with a commodity money base, would tend to stabilize MV (which is money times velocity in the equation of exchange). Since MV equals nominal GDP, stabilizing MV would eliminate most business cycles. It also appears to conveniently obviate the need for a precise dividing line between inside money and what Mises considered genuine credit instruments. Any change in the quantity of something not defined as part of the money stock -- per chance, small CDs -- will necessarily be captured in velocity. But this only evades the problem. Surely credit expansions that are inconsistent with underlying time preferences are not the sole cause of changes in velocity. In developed economies with fiat money, nominal GDP is almost always rising, with fluctuations in its rate of growth. Since this means MV is also always rising, how do you precisely identify periods that represent artificial booms generating malinvestments? And how can you determine if the cause is central-bank policy or something else? To reply that all such economies are *always* experiencing central-bank-induced credit expansion and therefore will at *some* unknown date in the future suffer another recession of *some* unknown magnitude, is not really much of a business cycle theory. Indeed, it reduces Austrian business cycle theory to an empty tautology, untestable and irrefutable. It also leads George (2008), Larry (2008), and other Austrians to a stubborn insistence that the Federal Reserve under Alan Greenspan must have caused the housing boom that preceded the financial crisis of 2007-2008, despite the fact that the growth rates of *all* the monetary measures -- the base (which the Fed di-

rectly controls), M1, M2, and MZM -- were steadily declining during the period (Henderson and Hummel 2008a, 2008b).

These are a few of the several, untidy issues that require more consideration, study, and discussion in order to develop Mises's insights into a more convincing and sophisticated understanding of the business cycle.

5. Lawrence H. White, "Further Remarks on Hülsmann and Hummel" [Posted: Jan. 27, 2014]

As evidence that Mises "qualified his endorsement of free banking," Professor Hülsmann quotes the following statement by Mises (1980, p. 439): "If it should prove easier now for the credit-issuing banks to extend their circulation, then failure to adopt measures for limiting the issue of fiduciary media will involve the greatest danger to the stability of economic life." It is clear in the context of the surrounding sentences, however, that Mises was not here warning about any free-banking system, but was instead warning about the central-bank-dominated banking systems that actually prevailed at the time he wrote in 1924. A few sentences earlier in the same paragraph Mises wrote that the likelihood of enacting measures for restricting fiduciary media "depends upon the kind of credit policy that is followed in the immediate future by the banks in general and by the big central banks-of-issue in particular." I doubt that Mises would have disagreed with the proposition – although he does not here state it as clearly as one might like – that any effective measures for limiting fiduciary media in a nation must first and foremost limit the issues of the national central bank. (I also doubt that Hülsmann would disagree.) In the conditions of 1924, just as today, the central bank's liabilities were held as reserves by credit-issuing commercial banks, and the central bank's expansion thereby drove the banking system's expansion as a whole.

A slightly earlier paragraph in *The Theory of Money and Credit* is also of interest in this discussion. Mises observed that "the considerations ... that are supposed to militate against the freedom of the banks" were discussed "two or three generations ago," meaning rough-

ly 1850-1875. The supposedly decisive argument was "the currency principle," which held, in Mises's words, that "any note issue that is not covered by gold is dangerous, and so, in order to obviate the recurrence of economic crises, such issues must be restricted." Mises then rebutted this view by referring to his own findings earlier in the book: "We have already shown that the dangers envisaged by the currency principle exist only when there is uniform procedure on the part of all the credit-issuing banks, not merely within a given country but throughout the world." That is, absent a world cartel of central banks, the Currency School view that "any note issue that is not covered by gold is dangerous," or in other words that every issue of fiduciary media is dangerous, is invalid.

This last passage is also relevant to Professor Hummel's argument that Austrian business cycle theory "hinges on specifying two firm dividing lines: (a) between those financial instruments that constitute inside money and those comprising what Mises considered genuine manifestations of people's savings, and (b) between those increases in the money stock, however defined, that generate a self-reversing boom and those that do not." I certainly agree with Hummel on the need for the second distinction. As I have previously indicated, I (along with other modern free bankers) disagree with the proposition that every increase in the money stock is disequilibrating, because an increase that counteracts an incipient excess demand for money is on the contrary equilibrating. It does not lower the market interest rate below the natural rate, but prevents the opposite discrepancy. Which side was Mises on? Although Mises elsewhere unfortunately declared that every increase in the money stock sets the business cycle in motion (seemingly regardless of whether it creates an excess supply of money or not), the modern view follows from the passage of *The Theory of Money and Credit* that I have twice now quoted ("Thus the banks may be seen to pay a certain amount of regard to the periodical fluctuations in the demand for money. They increase and decrease their circulation *pari passu* with the variations in the demand for money, so far as the lack of a uniform procedure makes it impossible for them to follow an independent interest policy"). Mises here pointed out that under free banking "periodical" (which I take to mean seasonal) variations in the volume of bank-issued money will match variations in the volume of demand to hold bank-issued

money. Such variations can only be seen as equilibrating. And in the passage I quote in the paragraph just above, to repeat, Mises rejected the Currency School view that every increase in uncovered note-issue is dangerous (except in the limiting case of a world central banking cartel).

I am less sure about Hummel's first distinction. I don't see why an Austrian business cycle theory must insist that an instrument – in particular an interest-bearing checking account – cannot, under normal conditions, be both inside money and a genuine manifestation of people's savings. That is, a particular increase in the volume of checking-account balances can be a genuine manifestation of an increase in very short-term savings (whether at the expense of current consumption or at the expense of holding wealth in some other form, for example cash, consumer durables, or longer-term savings) and not a manifestation of an excess supply of money.

I want to conclude by quoting what I think is an admirably clear statement of Mises's favorable judgment on free banking, which appears soon after the two paragraphs I just quoted:

If the arguments for and against state regulation of the bank-of-issue system and of the whole system of fiduciary media are examined without the etatistic prejudice in favor of rules and prohibitions, they can lead to no other conclusion than that of one of the last of the defenders of banking freedom: "There is only one danger that is peculiar to the issue of notes; that of its being released from the common-law obligation under which everybody who enters into a commitment is strictly required to fulfill it at all times and in all places. This danger is infinitely greater and more threatening under a system of monopoly."

As the source of the quoted sentences Mises cites the German free-banking proponent I. E. Horn: "Horn, *Bankfreiheit* (Stuttgart, 1867), pp. 376 f." The text of Horn's book is available here: <https://archive.org/details/bankfreiheit00horngoog>. [Editor: It was first published in French the year before: J.-E. Horn, *La liberté des banques* (Paris: Guillaumin, 1866).]

6. George Selgin, "The Demand for Money Also Matters" [Posted: Jan. 28, 2014]

In his most recent contribution to our discussion, Jeff Hummel misrepresents my particular "take" on the Mises-Hayek theory of the business cycle, so I'd like to take this opportunity to correct him, while also pointing out what I consider to be some serious errors in his own reasoning.

I've never intended, first of all, to revise the Mises-Hayek theory except by insisting that there are circumstances in which an increase in the nominal money stock, and especially in the stock of "fiduciary" media unbacked by high-powered money, instead of setting a Mises-Hayek type cycle in motion, merely serves to accommodate a like increase in the public's willingness to add to the total extent of bank-intermediated saving. Credit expansion serves in such cases not to drive lending rates below their "natural" levels, but to keep them from rising above those levels. Expressed in the simple terms of the equation of exchange, the argument amounts to saying that, holding reserves constant, expansion of M is stabilizing rather than destabilizing so long as it serves to offset a like decline in V. The claim is essentially the same as Hayek's own theoretical stand that an ideal monetary policy is one that serves to stabilize the flow of spending, MV.

Given my desire to clarify this aspect of the theory, and also because I wished to show how a free-banking system tends to achieve the ideal in question, I naturally devoted a lot of attention to discussion of the implications of changes in money's velocity. But this theoretical emphasis doesn't at all mean, as Professor Hummel claims, that I meant to grant "almost equal billing to velocity shocks along with monetary shocks as a source of business cycles." In fact I took no stand in the writings in question concerning the historical importance of velocity shocks relative to shocks, policy-based or otherwise, to the nominal supply of money. To have taken such a stand would have meant delving much more deeply into the historical and statistical record than I ever intended to do in works mainly concerned with theory.

It follows that, although Hummel is perfectly correct in characterizing me as someone who "views negative velocity shocks as a *potential* source of

depressions” (my emphasis), he errs both in claiming that there is something particularly “Keynesian” about my stand and in saying that it “differs from the orthodox Monetarist position, which denies the *empirical* significance of autonomous shifts in velocity” (emphasis in original). To claim that something is “potentially” important is of course not to insist that it is, or has been, important in fact.

Later in his remarks, Hummel recognizes that a stable MV ideal conveniently avoids the problem of deciding which among many measures of the money stock to treat as a policy instrument or target. But then he goes on to insist that it does so only by evading the crucial policy problem of “precisely” identifying “periods that represent artificial booms generating malinvestment.” I confess that I don’t understand this argument at all and am indeed inclined to think it hopelessly muddled. The entire point of the MV argument, mine and Hayek’s alike, is that the periods of excessive money creation are “precisely” those in which MV grows excessively rapidly (I shall come in a moment to clarifying “excessively”), for those are the times when money-stock growth exceeds concurrent growth in the demand for real money balances, thereby swelling the stream of payments.[11] When productivity is stagnant, the swelling translates into rising prices of both factors and final goods, which serve to restore monetary equilibrium by causing a proportional increase in the demand for *nominal* money balances. When productivity itself is improving, real money demand itself increases, so that final-goods prices needn’t rise as much, if indeed they must rise at all.

“In developed countries,” Hummel goes on to observe, MV “is almost always rising.” He then wonders, first, how it is possible in that case to tell whether it is rising so much as to cause an artificial boom. The answer is that once people come to anticipate a pace of spending growth such as might otherwise have set a cycle in motion, the cyclical effects of the growth are muted or neutralized, and remain so until expectations are again exceeded. That the real consequences arising from any particular rate of credit expansion will depend upon the extent to which the rate comes as a surprise has been conventional wisdom since the rational-expectations revolution. It was, moreover, Mises own understanding long before then, as conveyed in his reply to Lachmann’s posing of more or less the same question Hummel now raises.[12] That proponents of

a stable MV ideal must recognize this truth hardly places them in a more awkward position than advocates of an M growth rate rule;[13] still less does it deprive them of an ability to offer meaningful policy recommendations by reducing their ideal to an “empty tautology.” In *Less Than Zero*, for example, I offer perfectly concrete advice concerning the desirable target rate of MV growth, which elsewhere I have amended in light of high established growth-rate expectations only to the extent of allowing that the preferred target is best implemented gradually.[14]

Hummel next wonders how the stable-MV camp can possibly “determine if the cause [of a boom] is central-bank policy or something else.” In fact, nothing could be easier, for if a central bank is running the show then it is responsible *ipso facto* for any undue expansion of spending. If the proposed MV growth rate target is 3 percent and spending grows 5 percent, the central bank has erred by allowing M to grow by two percentage points too many. (It matters not which M one refers to, so long as one has in mind the appropriate corresponding V.)

Hummel, in contrast, appears to subscribe to the jejune view that central banks are responsible only for keeping growth of their own balance sheets within certain limits, without reference to what is happening either to the real demand for high-powered money or to the various determinants of the money multiplier. His thinking commits him to claiming, for example, that in a fiat system a sharp increase in prices is to be regarded as the central bank’s fault if the rise is associated with proportional growth in the monetary base, but not if it follows a sharp decline in the public’s preferred currency ratio, or a sharp increase in money’s velocity — as if central banks weren’t also responsible for responding appropriately to such developments! Since the Great Contraction of the early 1930s occurred despite the Fed’s having added to the stock of base money, perhaps Hummel is even willing to be so consistent as to insist that that debacle was caused not by “central-bank policy” but by “something else.”

Although he might not be prepared to go so far as to absolve the Fed of blame for the Great Contraction, Hummel doesn’t flinch from denying that it played any part in fueling the recent housing boom and from portraying my and Larry’s “stubborn insistence” to the contrary as proof of our having worked our way into a

theoretical corner. But Larry and I (and plenty of other economists from a host of different schools of thought) are not pointing our fingers at the Fed simply because our theories prevent us from entertaining other possibilities. We do so because the actual acceleration of spending growth, the record-low levels at which the real federal funds rate was kept, and other evidence besides warrants it.

Hummel, on the other hand, is cocksure that the Fed did nothing wrong because “the growth rates of *all* the monetary measures ... were steadily declining” during the period in question. But a central bank’s ultimate responsibility, as I have just said (and as I observed to Hummel and Henderson some time ago, without any apparent result[15]), is *not* that of seeing to it that this or that monetary measure grows at such-and-such a rate; its ultimate duty is that of seeing to it that the supply of money grows only as much as is needed to accommodate prior growth in the real demand for money balances. It follows that, when the demand for real balances *declines*, a responsible central bank must allow the nominal money stock to decline no less rapidly, or else risk contributing to a monetary excess with all that that implies. The monetary statistics Hummel refers to show only that the nominal stock of money was declining, but not that it was declining as rapidly as it ought to have. That MV was in the meantime growing exceptionally rapidly proves, on the contrary, that the money stock wasn’t declining rapidly enough.

Endnotes

[11] At one point Hummel observes, bafflingly, that “Surely credit expansions that are inconsistent with underlying time preferences are not the sole cause of changes in velocity.” How he can read into any defense of stable MV an implicit assumption that changes in V must occur only in response to excessive credit expansion is utterly beyond me.

[12] Ludwig von Mises, “Elastic Expectations’ and the Austrian Theory of the Trade Cycle,” *Economica* 10 (August 1943); Ludwig Lachmann, “The Role of Expectations in Economics as a Social Science.” *Economica* 14 (February 1943).

[13] Or does Professor Hummel mean to suggest that the cyclical consequences of, say, a 10 percent an-

nual growth rate of M2 will be the same if the public anticipates a 10 percent growth rate as they would be if it anticipated no growth at all?

[14] George Selgin, *Less Than Zero: The Case for a Falling Price Level in a Growing Economy* (London: Institute of Economic Affairs, 1997).

[15] “Guilty as Charged,” *Mises Daily* (November 7, 2008), in reply to David R. Henderson and Jeffrey Rogers Hummel, “Greenspan’s Monetary Policy in Retrospect,” *Cato Briefing Paper* 109, November 3, 2008. Online at: <http://mises.org/daily/3200>

7. Jörg Guido Hülsmann, "On the Stabilizing Effects of Fractional-Reserve Banking" [Posted: Jan. 31, 2014]

George Selgin believes that I tend to confuse Mises’s opinions with my own. Clearly, all participants in this online discussion have been strongly influenced by Mises’s writings, though each of us has driven this inspiration into somewhat different directions. It is therefore tempting indeed to conflate the master’s opinions with one’s own. My impression is that this holds true for Professor Selgin, too, no less than for anyone else.

Since the discussion turned to Mises’s business-cycle theory, I should like to comment on three specific issues:

- 1.the tautological nature of Mises’s business-cycle theory;
- 2.the role of the money supply in that theory; and
- 3.the equilibrating effects of fractional-reserve banking.

(1) Professor Hummel thinks that Mises’s business-cycle theory boils down to an “empty tautology.” Mises would probably have agreed that it is a tautology. In *Human Action* (chap. II, sect. 3), he stated: “Aprioristic reasoning is purely conceptual and deductive. It cannot produce anything else but tautologies and analytic judgments. All its implications are logically derived from the premises and were already contained in them.” But he went on to point out that tautologies are not always *empty*. Quite to the contrary, they can very

well contain important insights into (causal) features of the real world.

Moreover, in *Human Action* he further elaborated the argument, already presented in the *Theory of Money and Credit*, that the propositions of economic theory concern ordinal rather than cardinal relations. This implies, for example, that business-cycle theory does not allow us to specify the precise date of future crises, and it also does not allow us to specify *ex ante* their magnitude. Rather, such specifications must be given in the light of “historical” judgments pertaining to the contingent future circumstances of time and place. As Mises underscores, these “historical” judgments always contain an element of subjectivity.

It is also worthwhile to recall that economic science, like any science, only provides *partial* insights (therefore the usual *ceteris paribus* clause). Mises’s business-cycle theory highlights only *one* chain of causation, but there are many others that might play out simultaneously. Again it is historical judgment, not a priori theory, which might disentangle the relative weight of each factor that bears on a concrete situation.

(2) I agree with Professor Hummel that the definition of the components of the money supply is a critical issue of Mises’s business-cycle theory. It is also correct that on this question there is no general agreement. However, this difficulty is, again, not a problem for *theoretical* analysis, but for *historical* analysis. The very point of Mises’s typology of money is that the technical characteristics of various financial instruments are more than often irrelevant to deciding whether or not they belong to the money supply. What counts is whether they can be redeemed on demand at par; and whether this is the case must be determined for each concrete historical context.

This being said, and since we are at it, I should like to mention for the record that I disagree with Mises on the central role of the money supply. I do not think there is an a priori causal relation between (“artificial”) increases of the money supply and intertemporal disequilibria (see Hülsmann 1998).

(3) Lawrence White claims that an increase in the money stock “that counteracts an incipient excess demand for money is ... equilibrating. It does not lower the market interest rate below the natural rate, but prevents the opposite discrepancy.” Similarly, George Selgin argues that in such cases, credit expansion serves

“not to drive lending rates below their ‘natural’ levels, but to keep them from rising above those levels. Expressed in the simple terms of the equation of exchange, the argument amounts to saying that, holding reserves constant, expansion of M is stabilizing rather than destabilizing so long as it serves to offset a like decline in V.”

I completely disagree with this view. Let me begin by highlighting that Professor Selgin conflates two very different meanings of stabilization. At the end of the passage I just quoted, he addresses the stabilization of aggregate demand ($M \times V$). The production of fiduciary media by fractional-reserve banks may indeed, under certain circumstances, entail a stabilization of this aggregate. But so what? Why is such a state of affairs more beneficial than a shrinking aggregate demand or a rising aggregate demand? I know fairly well how a Keynesian economist might respond to this question. With Jeffrey Hummel, I wonder whether George Selgin’s response is really any different in substance. But my point is that the stabilization of aggregate demand is not the same thing as intertemporal stabilization. It does not at all follow that the former implies the latter, or the other way round.

This brings me to the central question: Is it really the case that credit expansion, when it occurs simultaneously with an increase in the demand for money, does *not* drive interest rates below their natural levels, but prevents them from rising above those levels? The whole argument is premised on the notion that the increase in the demand for money, if unchecked by a corresponding increase in the money supply, would entail an intertemporal disequilibrium. But why should this be so? It is true that the increase in the demand for money would tend to entail a temporary increase of market interest rates (the latter would not necessarily be higher than before, but rather higher than they otherwise would have been). But why should we interpret this event as an increase of the interest rates above their natural level? Why is that temporarily higher level not itself the natural level? Why should the structure of production *not* be adjusted to interest-rate changes resulting from variations of the demand for money? As Dan Mahoney (2011) has recently pointed out, it is precisely when fractional-reserve banks prevent changes of the interest rates that they steer the structure of production away from the state in which it should be.

8. Jeffrey Rogers Hummel, "Reply to George Selgin on Austrian Business Cycle Theory" [Posted: Feb. 6, 2014]

I appreciate George's clarifications, which help push our conversation into more interesting realms. I am a great admirer of his work on monetary economics, believing he has made major contributions. I certainly did not intend to misrepresent George's views. Nor do I have any fully developed business cycle theory of my own to offer as an alternative to his. I consider this to be the great unresolved issue in macroeconomics. While I believe, as I said before, that Austrian theory offers some penetrating insights, I do not find any of its variants to be entirely satisfactory.

George denies any intention to "revise the Mises-Hayek theory," and yet he then proceeds to discuss how he "clarified" (his word) one aspect of the theory. Categorizing the varied theories of economists is inherently imprecise, especially when the differences are subtle and nuanced. I did concede that my four suggested variants of Austrian business cycle theory had elements in common, and that the goal of stabilizing MV came from Hayek (although not from Mises). Whether the writings of George (along with Larry and Steve Horwitz) deserve to be classified as a separate variant or merely an elaboration on Mises and Hayek is a judgment call. George is free to minimize his originality; I think it merits greater recognition.

Moreover, there is another respect in which George has extended Austrian business cycle theory. As mentioned in my previous comment, he has incorporated from the Monetarist analysis of Leland Yeager (which in turn goes back to at least the work of Clark Warburton) a story about the inherent disequilibrating effects of *both* excess supplies and demands for money. But unlike Yeager (who rejects Austrian business cycle theory), George replaced price stability as the equilibrating optimum with his productivity norm and its (usual) secular deflation.

I did misinterpret George's explicit views about the *empirical* importance of velocity shocks, in part because a major portion of his 1988 book is devoted to explaining how an unregulated banking system would offset such shocks. That said, I still think George's acceptance

of velocity shocks as a *potential* source of depressions introduces a Keynesian element. I should hastily add that this is not intended as a criticism. Unlike many other Mises-influenced economists, I do not believe that Keynesianism is utterly bereft of value, despite my adamantly rejecting its policy implications. The essential element of Keynesian business cycle theory is that autonomous falls in velocity (what Keynesians traditionally refer to as a falls in autonomous expenditures, which are equivalent to increases in money demand) cause economic downturns. George is right that Monetarists also accept this as a theoretical possibility. But it is also a depression scenario that requires no previous malinvestment boom, giving it a decidedly un-Austrian flavor.

Moreover, one can make too much of the distinction between monetary and velocity shocks. Again as emphasized in my previous comment, how a shock is classified depends on what is included in the money stock. An extreme case is the Great Depression. Outside of Rothbardians, most proponents of Austrian business cycle theory accept that the Great Depression was made great by what Hayek came to call the "secondary deflation." This entailed an enormous collapse of the broader measures of the money stock from 1929 to 1933, driven mainly by a series of banking panics, as well documented by Milton Friedman and Anna Jacobson Schwartz (1963). Yet over the same four-year period the monetary base, directly controlled by the Fed, ultimately rose. Thus, what was a huge negative monetary shock from the perspective of the broader monetary measures was a negative velocity shock to the monetary base.

In response to my query (and apparently Ludwig Lachmann's as well) about how looking at MV permits one to "precisely identify periods that represent artificial booms generating malinvestments," George quite reasonably introduces expectations, viz.:

...once people come to anticipate a pace of spending growth such as might *otherwise* have set a cycle in motion, *the cyclical effects* of the growth are muted or neutralized, and remain so until expectations are again exceeded [emphasis mine].

This sounds to me suspiciously like pure Monetarism, in which downward turning points in MV growth become the primary cause of depressions. I'm unclear whether George is making a comprehensive claim; i.e., that *any* growth rate of MV , if constant and

fully anticipated, will *not* generate a self-reversing mal-investment boom, until the growth rate changes. Or to put the question in concrete terms, is he saving that if *MV* growth in the United States had continued to remain constant after the expansion of 1922 to 1929, there would have been no garden-variety depression in 1929, much less a Great Depression? I may be missing something, but if there is another way to interpret George's answer, I hope he will elaborate.

To my question about how to determine if the central bank or something else causes a change in *MV* growth, George gives a straightforward answer. As long as there is a central bank that can target *MV*, then the central bank is responsible. But this is not really an answer to my question; it is a policy prescription. Indeed, it is a policy prescription that grants the Fed more ability to stabilize the macroeconomy, even if only in theory, than I think is warranted.

Again, consider the Great Depression. I concede that Friedman and Schwartz were right that the Fed, with a sufficient expansion of the monetary base, could have totally offset the deflation and even cut the bank panics short. But that still leaves open what triggered the panics. Friedman and Schwartz blamed a change in Fed policy, arguing that most of the bank failures were liquidity failures. Yet there are alternative explanations, including that of Charles Calomiris and others, who conclude that the banks were already suffering serious solvency problems. Surely this is an important economic question in and of itself, irrespective of whether the Fed, with a better policy, could have averted the subsequent deflation.

Perhaps because I was trained as a historian, I am at least as curious about the causes of depressions as about the proper policy. After all, depressions in the United States long predated the creation of the Fed. George and Larry have been in the forefront of economists revealing how numerous legal restrictions made the U.S. banking system peculiarly vulnerable to shocks and panics. Yet that still leaves unexplained the timing of the downturns. Were the initiating factors mainly domestic, or can we point the finger at the international factors, particularly the policies of the bank of England? Was it some combination, or do different cases require different stories?

Which brings us to the housing boom and the subsequent financial crisis. George and I agree that excep-

tionally low interest rates were a major cause, but we disagree as to why rates were so low. In a recent *Econlib* article (2013), I challenged the common but exaggerated notion of almost total Fed control over interest rates. Since many factors can affect interest rates, one must avoid the following circularity: "Why were interest rates so low? Because of Greenspan's expansionary monetary policy. How do you know Greenspan's policy was expansionary? Because interest rates were so low." In other words, to blame Greenspan, some independent variable must be invoked. If I understand George's reasoning (2008; but he can correct me if I am wrong), he relies (as do most other economists who blame the Fed) on some kind of Taylor Rule that specifies what the interest rate should have been to prevent the housing boom. But the Taylor Rule in all its versions makes the astonishing assumption that the underlying real interest rate (what Mises called the originary rate and Wicksell the natural rate) remains perfectly constant over long periods. I find this a particularly peculiar assumption for Austrian economists to accept.

The standard way the Fed is thought to affect interest rates is by changing its balance sheet, buying or selling securities and thus altering the monetary base. Yet the increase in the base during the housing boom was overwhelmingly dwarfed in size by the *net* inflow of savings from abroad. In one year alone, 2006, that annual inflow was reaching nearly \$800 billion, far exceeding the mere \$200 billion increase in the base for the *entire half decade* from 2001 to 2006. Furthermore, it is widely recognized that the savings inflow was not entirely market driven by was heavily influenced by the policies of the Chinese government, which had coupled a pegged exchange rate with significant internal capital and exchange controls. I have never encountered a plausible explanation of how the Fed can significantly affect interest rates other than by manipulating its balance sheet, nor a plausible mechanism that would magnify any resulting impact on interest rates way beyond the impact of other changes of like monetary magnitude in the demand for or supply of securities. But I am open to being persuaded.

P.S. I must apologize to the readers and my fellow participants in this discussion for the delay in writing this reply. I hope that doesn't seriously inhibit possible responses.

9. George Selgin, "Unhelpful Labels: Reply to Hummel" [Posted: Feb. 7, 2014]

As Jeff Hummel wonders, in his last post, whether he has interpreted my views correctly, I hope I may be pardoned for getting in a last word for the sake of answering him.

My answer is that, although in general Jeff represents my views correctly (I shall come to some exceptions in a moment), his portrayal suffers from his insistence upon sorting various aspects of those views into "Monetarist," "Keynesian," and "Austrian" pigeon-holes, together with his tendency to regard any admixture of ideas of the three schools as necessarily problematic.

Jeff claims, for example, that in treating a decline in money's velocity as a potential cause of depression, I introduce a "Keynesian" element into my analysis. And although he is quick to say that for him the epithet carries no opprobrium, he finds the "decidedly un-Austrian flavor" of this aspect of my thinking troublesome.

But what is so "Keynesian" about the notion that velocity sometimes declines, and that, other things equal, such a decline implies reduced spending and a temporary decline in profits and production? As Hummel himself recognizes (and as Leland Yeager has gone to some length to remind people[16]), this sort of thinking is straight "old-fashioned" Monetarism, and as such predates the *General Theory* by many decades. It forms as well, as Jeff also recognizes, part of Hayek's own understanding. Finally, as Larry makes clear in his contributions to this forum, it is at least implicit in some of Mises's arguments. The Keynes of the *General Theory*, on the other hand, far from offering a particularly clear and coherent statement of the possibility in question, obscured it by introducing the vague concept of "liquidity preference."

And even if it were true that my theory had a "Keynesian" flavor, it wouldn't follow, as Jeff suggests, that the flavoring amounted to any serious revision of the Austrian theory. It would merely indicate my own eclecticism, which I have never intended to disguise. The fact that I believe that a recession or depression can result from a collapse in spending, with no need for a prior boom, doesn't mean that I either reject or de-

sire to radically revise the Austrian cycle theory. It just means that I (like Hayek) think that there is more than one way in which downturns can happen. Indeed, I have publicly complained about the obnoxious tendency of both Monetarists and Austrians (to say nothing of Keynesians) to insist upon a "one theory fits all" approach to understanding business cycles.[17]

Later in his remarks Jeff, replying to my suggestion that the cyclical consequences of any particular spending growth rate will be "muted or neutralized" to the extent that the growth is anticipated, labels the suggestion "pure Monetarism," as if overlooking the fact that, in making it, I referred to Mises's own (1943) statement of the same view.[18]

Jeff also wonders whether I am "making a comprehensive claim ... that *any* growth rate of *MV*, if constant and fully anticipated, will *not* generate a self-reversing malinvestment boom." Evidently I did not intend to go quite so far, or I would have written "neutralized" instead of "muted or neutralized." On the other hand, I did not limit my statement to cases of "constant" spending growth rates, for (as the rational-expectations revolution has taught us) any nonrandom growth pattern might be fully anticipated. (I know, I know: I have now added a New Classical "flavor" to my arguments. So sue me.) As for 1922-29, I can only say that the question Jeff raises concerning that period has me scratching my head, for if *MV* growth accelerated during the 20s, and the acceleration itself was not anticipated, that is all it would take to cause an Austrian boom-bust cycle of some (perhaps small) magnitude, regardless of what happened to spending afterwards.

Next Jeff claims that, in saying that central banks are responsible for any undesirable changes in spending growth, and not just those stemming from changes in the size of their own balance sheets, I am granting such banks, and the Fed in particular, "more ability to stabilize the macroeconomy" than is warranted. Fiddlesticks: I readily concede -- indeed, I've long argued, as Jeff knows very well -- that central banks aren't capable of managing money in such a way as to avoid or at least minimize cycles. When I say that central banks are to blame for undesirable changes in the flow of spending, I don't mean that they might do better. I mean that another arrangement entirely might do better.

Finally, Jeff claims that, to hold the Fed partly responsible for the easy credit conditions that helped to stoke the subprime boom, (1) I must assume that it had “almost total control over interest rates” and (2) I must be relying upon some version of the Taylor rule with its “astonishing assumption that the underlying real interest rate ... remains perfectly constant over long periods.” Both suggestions are mistaken. To suggest, first of all, that the Fed was to blame for the very low interest rates that prevailed between 2001 and 2007 is not to claim that it had “almost complete control” over those rates. It is only to claim that it was able to influence them at the margin, and temporarily. To deny that central banks can have such an influence would of course be to reject out of hand not only the Austrian cycle theory, but Wicksell’s theory, and every other theory that holds central banks capable of influencing real interest rates to some nontrivial extent. Certainly neither Greenspan nor any other central banker ever believed central banks to be so powerless. On the contrary: most central bankers are inclined to exaggerate central banks’ control over interest rates, except (of course) when it comes to defending themselves against accusations of irresponsible bubble-blowing.

Second, one needn’t appeal to the Taylor rule at all to claim that the Fed kept interest rates too low. There are other ways for gauging where the federal funds rate stood relative to its “natural” or “neutral” value. My own assessment is in fact based on a comparison of the federal funds rate with a rough natural-rate estimate based on the growth rate of total factor productivity.[19]

Finally, neither my nor Taylor’s assessment takes for granted a “perfectly constant” natural or neutral rate of interest; both merely assume the real natural or neutral rate varies around a constant mean.

Endnotes

[16] 1. Leland B. Yeager, “New Keynesians and Old Monetarists.” In George Selgin, ed., *The Fluttering Veil: Essays on Monetary Disequilibrium* (Indianapolis: Liberty Fund, 1997), pp. 281-302.

[17] “Booms, Bubbles, Busts, and Bogus Dichotomies.” *Freebanking.org*, August 30, 2013. <<http://www.freebanking.org/2013/08/30/booms-bubbles-busts-and-bogus-dichotomies/>>.

[18] Ludwig von Mises, “Elastic expectations and the Austrian Theory of the Trade Cycle,” *Economica*, August 1943.

[19] George Selgin, David Beckworth, and Berrak Bahadir, “The Productivity Gap: Monetary Policy, the Subprime Boom, and the Post-2001 Productivity Surge.” Unpublished working paper, September 2013. The paper includes a comparison of its own estimates with those based upon a Taylor rule.

4. ADDITIONAL READING

Online Resources: Works by Mises in the OLL

“A Guide to Resources in the OLL: Ludwig von Mises”
</pages/mises>.

Works by Ludwig von Mises </people/195>.

School of Thought: The Austrian School </groups/43>.

Liberty Fund is republishing many of the works of Ludwig von Mises as part of *The Liberty Fund Library of the Works of Ludwig von Mises* </groups/101>.

The volumes edited by Bettina Bien Greaves include:

- *The Anti-capitalist Mentality* (1956) </titles/1889>
- *Bureaucracy* (1944) </titles/1891>
- *Economic Freedom and Interventionism* (1990) </titles/1887>
- *Economic Policy: Thoughts for Today and Tomorrow* (1979) </titles/2395>
- *Epistemological Problems of Economics* </titles/2427>.
- *Human Action: A Treatise on Economics*, in 4 vols. (1949, 1996) </titles/1892>
- *Interventionism: An Economic Analysis* (1940) </titles/2394>
- *Liberalism: The Classical Tradition* (1962) </titles/1463>
- *Money, Method, and the Market Process* (to come)
- *Nation, State, and Economy: Contributions to the Politics and History of Our Time* (1919) </titles/1819>
- *Omnipotent Government: The Rise of the Total State and Total War* (1944) </titles/2399>
- *On the Manipulation of Money and Credit: Three Treatises on Trade-Cycle Theory* (1978) </titles/2401>
- *Planning for Freedom: Let the Market System Work. A Collection of Essays and Addresses* (1952) </titles/2200>
- *Socialism: An Economic and Sociological Analysis* (1922) </titles/1060>
- *Theory and History: An Interpretation of Social and Economic Evolution* (1957) </titles/1464>
- *The Theory of Money and Credit* (1912) </titles/1061>
- *The Ultimate Foundation of Economic Science: An Essay on Method* (1962) </titles/1820>

The volumes edited by Richard M. Ebeling include:

Selected Writings of Ludwig von Mises:

- *Volume 1: Monetary and Economic Problems Before, During, and After the Great War* (2012) </titles/2442>
- *Volume 2: Between the Two World Wars: Monetary Disorder, Interventionism, Socialism, and the Great Depression*
- *Volume 3: The Political Economy of International Reform and Reconstruction*

Other works by Mises in the OLL:

- *Die Entwicklung des gutsherrlich-bäuerlichen Verhältnisses in Galizien (1772–1848)* (1902) </titles/2319>
- “Finance and Banking in the Austrian Empire and the Republic of Austria,” *Encyclopedia Britannica* (1921) </titles/300>
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8. FERNANDO R. TESÓN, “HUGO GROTIUS ON WAR AND THE STATE” (MARCH, 2014)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty website during the month of March, 2014. The online version of the discussion can be found at < <http://oll.libertyfund.org/pages/lm-grotius> > and ebook versions at </titles/2590>.

Summary

The place that Grotius holds in the history of international law and the laws which regulate war and peace is one that has been recognized at least since the 18th century, but more especially in the treaties and international agreements which emerged out of the major conflicts of the 20th century. In this discussion we want to explore what Grotius thought about the proper relationship between the laws of nature and the laws of nations, what limits (if any) can be legitimately and rightly placed on the conduct of states engaged in war, and to ask ourselves whether his insights have any relevance today. Another issue which will be debated is where does Grotius sit in the history of the classical liberal tradition? Do his ideas reinforce the power of the monarch (or modern state) to do practically anything they wish, or do they place real and binding restraints on what is permissible when one enters a state of war? Is he merely a transitional figure, or does his theory of the Rights of Peace have a more radical libertarian interpretation?

The Debate

The online discussion consists of the following parts:

1. **Lead Essay:** Fernando R. Tesón, “Hugo Grotius on War and the State”

2. Responses and Critiques:

1. Eric Mack, "Grotius on the Law of Nature, the Law of Nations, and the Rights of Peace versus the Rights of War"
2. Hans W. Blom, "Liberty and the Law"
3. Paul Carrese, "The Moderation of Grotius"

3. The Conversation:

1. Fernando R. Tesón, "Was Grotius Just an Advocate?"
2. Eric Mack, "Grotius on the Right of Resistance"
3. Paul Carrese, "Grotius and Philosophical Moderation"
4. Hans W. Blom, "Ius Gentium, the Law of Nations, and the Law of Nature at the Birth of Liberalism"
5. Paul Carrese, "The Radical Grotius Hypothesis: Why Not a Philosophical Middle Ground?"
6. Eric Mack, "Another Shot at the Law of Nations"
7. Paul Carrese, "Liberty and International Order: The Truth of the Law of Nature and the Primary Law of Nations"

About the Authors

Fernando R. Tesón is the Simon Eminent Scholar at Florida State University College of Law. Known for his scholarship relating political philosophy to international law (in particular his defense of humanitarian intervention), and his work on political rhetoric, Professor Tesón is author of *Humanitarian Intervention: An Inquiry into Law and Morality* (3rd ed. fully revised and updated, Transnational Publishers 2005); *Rational Choice and Democratic Deliberation* (Cambridge University Press 2006; with Guido Pincione); *A Philosophy of International Law* (Westview Press 1998); and many articles in law, philosophy, and international relations journals and collections of essays. He has served as a professor of law and affiliate professor of philosophy at Arizona State University, where he taught for 17 years prior to joining Florida State University's faculty. Before entering academia, Professor Tesón was a career diplomat for the Argentina Foreign Ministry in Buenos Aires for four years. He resigned from the Argentine foreign service in 1981 to protest against the human rights abuses of the Argentine government. He has served as visiting professor at Cornell Law School, Indiana University School of Law, University of California Hastings College of Law, and the Oxford-George Washington International Human Rights Program, and is Permanent Visiting Professor, Universidad Torcuato Di Tella, Buenos Aires, Argentina.

Hans W. Blom is visiting professor in the history department of Potsdam University (Germany), in the section of intellectual history. He was previously at Erasmus University Rotterdam (The Netherlands), with visiting research positions at King's College, Cambridge, the RSSH-ANU in Canberra, the University of Buenos Aires, and the Institute for Research in the Humanities at the University of Wisconsin-Madison. His research focuses on the history of political thought with special attention to the interaction between the world of ideas and that of institutions. Professor Blom believes that economic thought and ideas are part and parcel of politics, and is particularly interested in tracing the presence and handling of economic issues in the period before Adam Smith, and their significance for the construction of classical political economy. Hans Blom has published widely on this and related topics: *Causality and Morality in Politics* (1995) and edited volumes on *Monarchisms in the Age of Enlightenment: Liberty,*

Patriotism, and the Public Good (2007), and *Property, Piracy and Punishment: Hugo Grotius on War and Booty in De iure praedae* (2009). Presently he is editing Pieter de la Court's *Interest of Holland* (1662) for Liberty Fund.

Paul Carrese is professor of Political Science at the U.S. Air Force Academy, and co-founder and former director of its great-books honors program. He holds a doctorate from Boston College in political science, and master's degrees from Oxford University in theology and in philosophy & politics. He has been a Rhodes Scholar, a research fellow at Harvard, a Fulbright Scholar at University of Delhi, and a Visiting Fellow in the James Madison Program, Politics Department Politics, Princeton University; he taught at Middlebury College before coming to the Academy in 1998. He teaches, researches, and publishes in political philosophy, constitutionalism, American political thought and constitutional law, and American foreign policy and grand strategy. He is the author of *The Cloaking of Power: Montesquieu, Blackstone, and the Rise of Judicial Activism* (Chicago, 2003; paperback, 2013), and his manuscript on the philosophy of moderation in constitutional democracies, *Democracy in Moderation: Montesquieu, Tocqueville, and Sustainable Liberalism*, is under review. He is co-editor of John Marshall's *The Life of George Washington: Special Edition* (2001); of *Constitutionalism, Executive Power, and Popular Enlightenment* (SUNY Press, forthcoming 2015); and, of *American Grand Strategy: War, Justice, and Peace in American Political Thought*, just contracted with Johns Hopkins University Press.

Eric Mack is professor of philosophy at Tulane University and a faculty member of the University's Murphy Institute of Political Economy. His many scholarly essays focus on moral individualism and the moral foundations of rights, the nature of natural and acquired rights, property rights and economic justice, the legitimate scope of coercive institutions, and the history of classical liberal and libertarian theory. He is the author of *John Locke* (Bloomsbury 2013). Eric has also written other essays and annotated bibliographies on 17th-century political theorists such as John Locke, James Tyrrell, Robert Filmer, and Thomas Hobbes for the Online Library of Liberty and was the lead author for the first installment of Liberty Matters, viz., "Locke on Property."

1. LEAD ESSAY: FERNANDO R. TESÓN, “HUGO GROTIUS ON WAR AND THE STATE”

In his monumental treatise, *De Jure Belli ac Pacis* (*The Rights of War and Peace* (1625)), Dutch jurist and diplomat Hugo Grotius lays down not only the principles of international law, but also theories of property and punishment, and even a rudimentary sketch of social-contract theory. In this essay I examine Grotius’s views on war and the state, with a special emphasis on jurisprudential method. Many writers value Grotius because he was the first thinker to explore some of the themes of the Enlightenment. His work is located at the precise moment when the new ideas start to pull away from their medieval roots – a philosophical evolution that would culminate in the great works that cement the social-contract tradition. Grotius is, then, a transitional figure, and maybe for that reason it may seem unfair to compare him to the intellectual giants who came after him. Yet he deserves to be judged on his merits. I attempt to do so in this essay.

I. The Question of Method

Like many of his contemporaries, Grotius was a natural-law thinker. But the natural law he endorsed differed from that of his great predecessor, St. Thomas Aquinas. The differences are many, but two are salient. First, while Aquinas thought rational creatures accede to natural law by participating in the divine will, Grotius believed that natural law is discovered by human reason alone. For Grotius, God’s commands are binding *because* they comport with the Law of Nature (PD, 89-90).^[1] The second and more important difference is that Grotius’s version of natural law is less robust than Aquinas’s. To Grotius, natural law only commands us not to act contrary to Right; it does not command virtue, as in the Christian tradition. He divides the Law of Nature into two subsets. The first reflects our instincts (“First Impressions of Nature”), especially our impulse to survive. The second reflects our higher faculties of sociability and rationality (“Decorum”) (I.II. III, 188 ff.). Grotius thought that this second part of the Law of Nature was the more important because it urged us to restrain our instinctual be-

havior for the sake of sociability. Accordingly, natural-law rules are basic: we must refrain from behavior “repugnant to society.” More specifically, natural law enjoins us to abstain from that which is another’s, to retribute that which belongs to another, to fulfill our promises, to compensate damage we’ve caused, and to administer criminal punishment (PD, 86).

This brings us to the central methodological problem that Grotius faces throughout the book: the relationship between natural law and positive law. According to Grotius, the Law of Nations, i.e., the laws that are “common to many nations and rulers of nations,” has three components. The first one is derived from natural law; the second is decreed by divine will; and the third one is created by custom (PD, 75). As we saw, natural law consists of a few prohibitions. A straightforward natural-law account, then, would be that the Law of Nations harbors moral norms derived from reason and positive norms enacted by human beings. Grotius’s natural-law ancestors thought that human law could not overrule natural law; arguably, that is what it means to hold a natural-law view. But this is not Grotius’s view. He says, reasonably enough, that the Law of Nations may not command what the Law of Nature prohibits (II.II.V, 493). But the Law of Nations may *permit* what the Law of Nature prohibits (II.IV.XV, 1290). For example, the Law of Nations may permit killing noncombatants in war, an act presumably prohibited by the Law of Nature. But while this new customary permission is inconsistent with natural law, Grotius, contrary to his fellow natural lawyers, insists that it is binding. By this Grotius does not mean the tautology that the new permission is *legally* binding. He means that the permission (for example, to kill noncombatants) is *morally* binding, so that others may not validly interfere with the agent’s acting on the permission (killing noncombatants). This is because *pacta sunt servanda* (“agreements must be kept”) is a central principle of the Law of Nature. The Law of Nature enjoins us not only to respect possessions but also to honor our agreements (PD, 86). Since the newly introduced permission is an agreement, it overrules the prior prohibition.

Grotius is correct that a mere *permission* that derogates from an antecedent prohibitory norm does not offend that norm as much as a command to do that which the norm prohibits. Again, assume the Law of Nature prohibits killing noncombatants. If custom sub-

sequently *authorizes* such killing, then it logically contradicts the prohibitory norm, since the latter says that sparing noncombatants is obligatory. The new permission defeats the purpose of the antecedent prohibition, which made the *negation* of the behavior in question (sparing noncombatants) obligatory. But it would be even worse if the Law of Nations *commanded* such killing, because in that case sparing noncombatants would be prohibited. That the Law of Nations permits that which the Law of Nature prohibits means that people are *authorized* to comply with the Law of Nature if they so desire.

The Law of Nature, then, is a complicated moral system. It prohibits rights violations unless people agree to violate rights, because there is a meta-norm, *pacta sunt servanda*, that controls the other norms in the system. In the absence of agreement the Law of Nature provides *default* rules that enjoin rights violations. The resulting normative system (the new permissions plus whatever default rules remain) is itself obligatory by application of *pacta sunt servanda*. Only then can Grotius avoid the obvious implication that these permissions are morally invalid.

If this reading is correct, then Grotius's initial statement that the Law of Nations consists of divine commands, rationally accessible natural law, and human law, all coexisting peacefully, is inaccurate. Rather, Grotius's real view is that in the Law of Nations consent reigns supreme, and only in the absence of consent do natural-law norms govern by default, except that consent cannot validly command what the Law of Nature prohibits. One may perhaps offer a (kind of) libertarian interpretation of Grotius's claim, namely, that individuals can waive the rights that natural law accords them. The problem with this interpretation is that in Grotius's examples the right-holders do not alienate their rights; rather, the monarchs agree *among themselves* to violate the rights of *others*. If the Law of Nature prohibits killing civilians, then (on any plausible libertarian account) only those civilians have standing to waive their rights not to be killed. So Grotius's view cannot be read in this way. Rather, for him the derogations from the Law of Nature are agreed upon *by governments*. The Law of Nature, now via *pacta sunt servanda*, enjoins us to respect these agreements. This move saves Grotius from inconsistency, but it certainly undermines his natural-law credentials and his (presumed) commitment to individualism.

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Aside from this problem, Grotius's method is quite messy because it does not allow us to tell when a rule belongs to the Law of Nature and when it belongs to the Law of Nations. The standard way to distinguish them is to make a *philosophical* argument in support of a moral rule and a *legal* argument in support of a legal rule. Grotius's uses neither. In fact, he uses the same method throughout: he appeals to the opinions of the wise, the more ancient the better. To prove that a rule exists (in either the Law of Nature or the Law of Nations) Grotius cites a multitude of ancient authors, philosophers, poets, playwrights, biblical texts, and opinions by old monarchs as referenced by ancient historians. (See Grotius's justification for this method at PD, 108-111.) For example, he sets out to prove the permissibility of war (against pacifists) by resorting to biblical account (I.II.185 ff.). Even conceding that this method may be suitable for ascertaining morality, it is unsuitable for ascertaining the law. The Law of Nations, as Grotius correctly says, is *diplomatic practice*, that is, custom and treaty. Yet Grotius cites virtually zero diplomatic practice in support of international-law rules, notwithstanding the fact that there was plenty of practice *circa* 1625. In the end, Grotius's method is unsatisfying because he eschews philosophical argument to prove morality and eschews legal argument to prove international law.

II. War

a) *Ius ad Bellum*

Here we should distinguish between *international wars* and *civil wars* (revolutions). With respect to international wars, Grotius follows the just-war tradition both by rejecting pacifism and by requiring a just cause for waging war. At the beginning of the treatise, Grotius is concerned with establishing the *permissibility* of war against pacifists. Maybe for that reason, he initially formulates the just-cause requirement in negative terms: a war that does *not* infringe on the rights of other nations is permissible (I.I.I, 184). This may create the impression that the default rule is the permissibility of war. On closer examination, however, this is not so. Later in the treatise he accurately distinguishes between reasons and motives for war (II.I.I, 389). Reasons are proper justifications, moral reasons; motives are prudential reasons. Only the former can constitute just cause: all wars should be “founded on the substantial basis of truth and justice” (II.I.I, 391). While most sovereigns wage war for a mix of motives and reasons (II.XXII.III, 1099), a war is just only if it is a reaction against an *injury received* (II.I.I.393). (Luban 2011: 306) Contrary to initial appearances, the default rule is not that war is permissible. Wars for reasons other than righting wrongs are disallowed.

This reading is confirmed by Grotius’s listing of just causes for war. There are only three: self-defense, the recovery of what is ours, and punishment (II.I.I, 395). Grotius not only disallows self-interested reasons, such as territorial aggrandizement or national glory, he likewise rejects the “security dilemma” as a just cause: fear of a neighbor’s power is not enough. And he rejects paternalistic reasons: that possessors are “fools” is not enough reason to dispossess them (II.XXII, 1102-1113). His standard for national-self-defense is quite high: the force used must be necessary to defend ourselves against unjust attacks. And presciently, Grotius warns against self-delusion. A ruler may persuade himself too easily that he has a just cause and plunge into war on bad motives even if he has ostensibly good reasons (II.XXII, 1113). Grotius’s views here are quite visionary and announce the international-law developments of the late 20th century. But it would be a mistake to equate Grotius’s view with the current legal position: Grotius thinks that recovery of one’s

lawful possession is a just cause for war, whereas modern international law generally forbids this, at least when the unjust taking does not constitute an armed attack.

Grotius’s views on humanitarian intervention deserve separate comment. (For a full treatment, see Tesón 2005.) The default rule is that humanitarian intervention is impermissible because established governments have a “certain” right to rule (II.XXV. VIII, 1159). But then Grotius writes, famously, that when princes abuse their authority in a way that “no Good Man living can approve,” then armed intervention can be justified (II.XXV. VIII, 1161). He warns against the dangers of abuse, and says that humanitarian intervention may not be undertaken if the intervener’s own subjects are unduly burdened. (See Holzgrefe 2003: 25-27.)

The most remarkable feature of this view is that humanitarian intervention is permissible even where revolution is not. Grotius’s view that even if the subjects themselves may not revolt “others might ... do it for them” runs against the modern view that the threshold for foreign intervention should be *higher* than the threshold for domestic revolution. (See Dobos 2012: 73-99.)

Grotius takes quite a restrictive view of the right to resist authority. To be sure, he says that if the sovereign commands something against natural law, the subjects need not obey (I.IV.I, 337). This statement must be qualified in view of Grotius’s claim, already discussed, that law or custom may amend the Law of Nature by introducing enabling permissions. Suppose that the Law of Nature prohibits sovereigns from enslaving their subjects. If custom subsequently *allows* slavery, then the antecedent natural-law prohibition does not hold, and rulers are free to enslave. It is true that, strictly speaking, the law does not *command* slavery, but this is not much consolation to the slave.

But what if the sovereign *injures* the subjects? They, Grotius tells us, must patiently endure the injuries and not resist them by force (I.IV.I, 338). Civil disobedience is fine; violent revolution is not. An unlimited right to resistance would undermine the end of the state, which is to secure “peace and good order.” He even says that if subjects had a right to resistance, there would be no state. (Compare with Kant 1996: 95-98.) And as a matter of practice, the right of resistance “is looked upon

as unlawful, according to the Usage of all States” (I.IV.I, 340). So the argument is two-fold: as a matter of principle, the right to revolution is inconsistent with the end (and maybe the very idea) of a state, and as a matter of law, such right is unrecognized. Grotius veers dangerously close to upholding the divine right of kings as a justification of government. He quotes the scriptures for the view that God wanted us to endure iniquity at the hands of rulers. We must give to Caesar what is Caesar’s, and in this way we will be rewarded for that patience in the afterlife by the greatest of all sovereigns (I.IV.I, 344-45).

Severe as Grotius’s principle of nonresistance is, it is not absolute. He concedes that subjects may forcibly resist the sovereign in cases of extreme necessity, when their own survival is threatened. He gives a hypothetical-consent argument: subjects are deemed to have agreed to civil authority to secure order and peace, but they are not deemed to have consented to their own extermination (I.IV.VII, 356 ff.). We saw that the threshold for revolution is higher than the threshold for foreign intervention, yet it is unclear what the difference may be. For intervention, the standard is “visible injustice ... which no Good Man living can approve”; for revolution, the standard is survival. So in spite of what Grotius says, the two do not seem that different after all. And for Grotius this right to resist *in extremis* is not individually held. The historical examples he gives suggest that *groups*, not individuals, may legitimately revolt to prevent their own extermination – in modern words, to prevent genocide.

b) *Ius in Bello*

Book III examines the laws of war. Grotius’s treatment is important because at the time he wrote, these laws were in their formative period. He first vindicates the morality of war against the adage *inter arma enim silent leges* (for among [times of] arms, the laws fall mute). When undertaken, war ought not to be carried “beyond the Bounds of Justice and Fidelity” (PD, 101). But Grotius’s approach is unusual. He first tells us what the Law of Nature requires. Simply put: we are allowed to kill the enemy because the enemy threatens us (III.I, 1185 ff.). We can also take his property, but only to the extent necessary to our security. These rights are independent of the enemy’s culpability or innocence. This right to use force includes punishment, but only

“within the bounds of Equity,” so we are not entitled to kill or destroy in a manner disproportionate to the offense received (III, I, 1187). This approach to *ius in bello* (right conduct in war) is eminently reasonable, and it is generally followed in the modern literature and international conventions.

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But after laying down these reasonable natural-law principles, Grotius reports what the Law of Nations really says. The result is alarming. In rapid succession we are told that the subjects’ goods and bodies are owed for the Prince’s debts (III.II.II, 1232-34); that *all*, including women and children, who are found in the enemy’s territories may be killed or hurt (thus there is no principle obligating armies to discriminate between combatants and noncombatants) (III.IV.VIII-IX, 1281-84); that it is permissible to kill those who surrender (III.IV.X-XI-XII, 1284-88); that it is fine to waste and plunder (III.VI-IV, 1303-12); and that prisoners of war and their families may be enslaved (III.VII.I, 1360-65). These are dramatic instances of the principle, already discussed, that positive law may permit that which the natural law prohibits. But here the permissions are so many and so inhumane that they virtually overrule the moral principles that Grotius defends at the beginning of Book III. The law of war circa 1625 (if we are to believe Grotius) was deeply immoral.

Aware of this, Grotius invites his readers (sovereigns included) to set aside the horrible practices he just described and exercise moderation. In chapters XI to XXV Grotius essentially reverses many of the permissions introduced by the consent of states. He intends to “take away from those who make War almost all the Rights which I seem to have granted them; but which in Reality I have not” (III.X.I, 1411). Honor and conscience, he says, often forbid what the Law of Nations permits. Honor is not so much other-directed, but rather consists of the agent’s own search for equity and justice (III.X.I, 1413). This turnaround is welcome, of course, but conceptually puzzling. Are these moderate rules grounded in honor and conscience the same as the Law of Nature? Are these recommendations mere exhortations or, to the contrary, true descriptions of moral duties? If the latter, how is this new position consistent with Grotius’s view that custom may validly derogate from natural law? (See Forde 1993: 646-47.) It is hard to tell. What is clear is that Grotius believed that the practice of war fell far short of the standards of justice. If so, his recommendations are exhortations addressed to the powerful to humanize war, rather than a full-fledged philosophy of war.

III. The State and Property

There is considerable scholarly disagreement about Grotius’s theory of the state. But this much can be said: Grotius thought that human institutions derived ultimately from human nature. Human beings have an “exquisite desire for Society” (PD, 84). This sociability is the “fountain of all Right” (PD, 86) that leads people to establish political institutions. But these institutions are manmade; they are the result of human will, of an agreement (PD, 93; II.II.II, 426-27). This social contract is morally binding in an indirect way. The Law of Nature, via sociability, leads individuals to arrange their affairs by enacting civil laws. (See Rabkin 1997: 297-98.) These civil laws are then binding on subjects *because* they agreed to them, whether or not the laws contradict some precept of the Law of Nature. Nowhere is this clearer than in Grotius’s discussion of private property. He thinks that God gave all men dominion in common of all things (II.II.II, 420-21). But over time, this idyllic state of affairs could not endure; for a variety of reasons, it was necessary to assign lands

to families (II.II.II, 426-27). The institution of private property thus became the core of the civil laws, that is, the centerpiece of the state. The social contract determines mine and thine, and thus provides the substance for the operations of the Law of Nature itself. Recall that the Law of Nature enjoins us to respect rights. For Grotius, these rights are essentially property rights.

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It is worth noting that Grotius did not think that people would create political institutions only out of self-interest. He thought that individuals were capable of acting out of altruistic motives, and this partially altruistic disposition made the social contract possible. (See de Araujo 2009: 355-56.) There is a tension also between Grotius’s claim that things belonged originally to all men in common and his vindication of the right of original occupation (II.II.II, 421). Is this right also part of the Law of Nature, or is it a feature of the social contract? And does the right of occupation grant all the features of property or only the right to use? (See Salter 2001.) Finally, while Grotius is quite modern in his conception of the Law of Nature as resting on rights, he does not come close to endorsing a modern theory of constitutional rights – let alone endorsing any redistributive function of the state (understandably, given the period). Yet it is possible to formulate an updated liberal Grotian theory of the state. If the principle of self-ownership is accepted, then all rights invasions will constitute trespass and all modern constitutional rights may be conceived, in Grotian fashion, as property rights.

IV. Conclusion

Almost a century ago, a British commentator opined that Grotius “imitated the brevity and terseness of style of Tacitus without exhibiting the insight and penetration of his model. His philosophy of history is of the simplest and crudest nature.” (MacDonnell 1919: 18) And Thomas De Quincey blasted *De Jure Belli ac Pacis*: “Take away the Greek and Latin seasoning, which (in conjunction with the laconic style) has kept the book from putrefying, all the rest is pretty equally divided between empty truisms, on one hand, and time-serving Dutch falsehoods, on the other.” (Cited in MacDonnell 1919: 19.) While certainly Grotius’s scholarly stature pales in comparison to Hobbes, Locke, Kant, or Rousseau, these judgments are too harsh. Grotius prefigured, albeit in an embryonic fashion, some of the themes that came later. And if his views on war were intended for princes, this should be commended, not criticized. His central message to the powerful was imbued with a humanist spirit: international law (then as today, I might add) had not yet caught up with the demands of justice.

End Notes

[1.] All references are to Hugo Grotius, *The Rights of War and Peace*, 3 vol., edited by Richard Tuck (Liberty Fund, 2005). Following custom, the references are to the *Preliminary Discourse* (PD) or Book, as the case may be, chapter, section, and page.

2. RESPONSES AND CRITIQUES

1. Eric Mack, "Grotius on the Law of Nature, the Law of Nations, and the Rights of Peace versus the Rights of War"

Fernando Tesón makes a good case for each of his readings of Grotius's doctrine in *The Rights of War and Peace*. His readings may indeed be the best readings of the text. As an amateur reader of Grotius, I have no rational confidence that any of my alternative readings are better. Nevertheless, with that major caveat, I want to present very briefly a somewhat different vision of Grotius on the Law of Nature and the Law of Nations. In general I want to highlight features of Grotius's doctrine that make Grotius an important forerunner of classical-liberal thought. Here I address only some of the ways in which Grotius is a herald of liberal theory.

1. *The Law of Nature*

Grotius begins *The Rights of War and Peace* by saying that, rather than wanting to discuss the Civil Law, which differs from one nation to another, he wants to provide an account of "that Law, which is common to many Nations or Rulers of Nations, whether derived from Nature, or instituted by Divine Commands, or introduced by Custom and Consent..." (I. PD. I). Tesón reads Grotius to be announcing that he wants to study the Law of Nations and that Grotius takes the Law of Nations to consist of "divine commands, rationally accessible natural law, and human laws." I disagree.

To begin with, the "instituted by Divine Commands" was inserted by Grotius into the 1631 edition – apparently to placate the conservative officials who Grotius hoped would allow him to return to Holland from exile. Also, there are two distinct bodies of Law that are "common to many Nations or Rulers of nations." There is the Law of Nature (which is "derived from Nature") and there is the Law of Nations (which is "introduced by Custom and Consent"). So, at the beginning of *The Rights of War and Peace*, Grotius is saying that he wants to study the Law of Nature and the Law of Nations; moreover, Grotius is not taking the Law of Nature to be a constituent of the Law of Nations.

In fact, the rest of the opening chapter, "The Preliminary Discourse," is almost entirely about the Law of Nature (and not the Law of Nations). For Grotius's immediate concern is to refute those – like Carneades – who reject the existence of the Law of Nature.[2] We cannot here attempt to go through the details of this refutation. We can only note that Grotius holds that the foundation of Carneades's challenge to the Law of Nature – i.e., to the idea of natural justice – is the proposition that the sole motive for all human action is the promotion of personal advantage. Grotius attacks this foundation by maintaining that there is a further important motive for human action, viz., "the Desire of Society," which is "a certain Inclination to live with those of his own Kind, not in any Manner whatsoever, but peaceably, and in a Community regulated according to the best of his Understanding..." (I. PD. VI).

The Desire of Society turns out not to be some generalized empathy but, rather, a disposition to live in accordance with rules, general compliance with which sustains mutually beneficial social order. We can discover through reason what the rules are that must generally be abided by if a mutually advantageous social order is to exist. Those rules, discovered by reason in light of the character of human beings and the circumstances of their existence, are the Laws of Nature. Or, somewhat more specifically, these rules are the Laws of Nature properly and strictly speaking. There are other rules that are guides to living well that are also part of the Law of Nature, though in an extended and less proper sense.

The Desire of Society does not displace but, rather, exists alongside of the desire for personal advantage. The Laws of Nature do not displace the "first Duty" of nature which is for "every one to preserve himself in his natural State, to seek after those Things which are agreeable to Nature, and to avert those which are repugnant" (I. II. I.1). Rather, the Laws of Nature that arise through "the Knowledge of the Conformity of Things with Reason" (I. II. I.2) *constrain* the pursuit of personal advantage.

According to Grotius, "Right properly so called" requires,

the Abstaining from that which is another's, and the Restitution of what we have of another's or of the Profit we have made by it, the Obligation of fulfilling Promises, the Reparation of a Damage done through our own Default, and the

Merit [i.e., justification] of Punishment among Men. [I. PD. VII]

Right, properly speaking ... consists in leaving others in quiet Possession of what is already their own, or in doing for them what in Strictness [by way of reparation or agreement] they may demand. [I. PD. X]

So, e.g., Grotius cites Cicero citing Chrysippus to the effect that “There is no Injustice in seeking ones [sic] own advantage; but it is contrary to Equity to take away from another” (I. I. X.4. note 8).

Although the Law of Nature constrains individuals in their pursuit of personal advantage, general compliance with those constraints makes mutually advantageous social interaction possible; moreover, one is admitted to that social interaction on the basis of one’s being compliant with the Law of Nature. Thus, according to Grotius, compliance with these constraints on how one pursues personal advantage is the key rational strategy for promoting one’s personal advantage. Thus, in a sense, Grotius seeks to hoist Carneades with his own petard.

Yet, intriguingly, Grotius seems to argue that individuals will only get the payoff of mutual personal gain if they abide by the Law of Nature constraints for their own sake and not merely for the sake of those personal gains. “Right has not Interest merely for its End...” and “the Moment we recede from Right, we can depend upon nothing” (I. PD. XXIII). If we did not have the alternative motivation supplied by the Desire of Society, we would never fulfill the desire for personal advantage.

2. *The Law of Nature vs. the Law of Nations*

The Law of Nations, like the Civil Law of particular nations, is the product of will rather than nature and reason. In ways that do not seem to me to fit very well with the traditional notion of the Law of Nations (*jus gentium*), Grotius writes as though the Law of Nations is a code of conduct that governs only the interactions of States or the rulers of States. It is said to be beneficial to States (or their rulers?) in some way that parallels the Civil Law of a given State being beneficial to that State (or the members of that State?).

But as the Laws of each State respect the Benefit of that State; so amongst all or most States there might be, and in Fact there are, some Laws agreed on by common Consent, which

respect the Advantage not of one Body in particular, but of all in general. And this is what is called the Law of Nations, when used in Distinction to the Law of Nature. [I, PD. XVIII]

Rather than being a component or aspect of or handmaiden to *jus naturale*, the Law of Nations appears as an autonomous normative code that at most is slightly constrained by the Law of Nature.

As Tesón indicates, the Law of Nature specifies the moral default position. If the Law of Nations does not speak to a matter – e.g., whether prisoners in war may be killed – the Law of Nature stance that war prisoners may not be killed holds.[3] But if the Law of Nations speaks, its voice will sometimes override or displace the voice of the Law of Nature. As Tesón points out, according to Grotius, the Law of Nations can make permissible actions that are forbidden by the Law of Nature (III. IV. XV.1). So, e.g., the Law of Nations can (and does) make the killing of prisoners in war permissible. Indeed, the Law of Nations underwrites the whole of the doctrine of “Solemn War” that Grotius lays out in Book III of *The Rights of War and Peace*.

A State is engaged in Solemn War if (and only if) it publicly deliberates about and declares that war against a State or it becomes an “enemy” of another State through the other’s deliberation and declaration. There is a sense of “just” in which a war is just as long as it is Solemn. In this sense of “just,” all parties to a declared war are engaged in a just war. This stands in sharp contrast to the Law of Nature teaching that the only just wars are those conducted to defend against, to attain reparations for, or to punish natural injustices. Moreover, almost all the Law of Nature prohibitions on how war may be conducted, are overridden or displaced by permissions granted by the Law of Nations to engage in those naturally unjust modes of war-making. Also, these permissions concerning the conduct of war apply to all the States contesting in a Solemn War – even the State whose cause is unjust in the eyes of the Law of Nature.

...in this [Solemn War] Sense, it is lawful for one Enemy to hurt another, both in Person and Goods, not only for him that makes War on a just Account, and does it within those Bounds which are prescribed by the Law of Nature. . . but on both Sides and without Distinction. . . And in this Sense we are to take *Sallust, By the Laws of War all Things are lawful to the Conqueror.* [III. IV. III]

The result, as Tesón says, “is alarming.” Indeed, it seems that Grotius is eager to emphasize the barbarity of warfare in accordance with the Law of Nations. And, as Tesón also notes, we then get a remarkable reversal. For Grotius declares that on reflection, he must “take away from those that make War almost all the Rights, which I may seem to have granted them; which yet in Reality I have not” (III. X. I.1).

Tesón rightly notes that it is not clear where this leaves Grotius. In the name of what – honor, charity, virtue, reason – are we to turn away from the dictates of the Law of Nations? Does this turn involve a general repudiation of the Law of Nations? If it does, why does Grotius expend so much time and space laying out the dictates of the Law of Nations?

"I like the radical hypothesis that Grotius does want us to jettison the Law of Nations as having prescriptive power. On this hypothesis, Grotius's attention to the Law of Nations is attention to what he recognizes to be (part of) the positive law but not part of the prescriptively valid law."

I like the radical *hypothesis* that Grotius does want us to jettison the Law of Nations as having prescriptive power. On this hypothesis, Grotius's attention to the Law of Nations is attention to what he recognizes to be (part of) the positive law but not part of the prescriptively valid law. For there is a “double Meaning of the Word *lawful*, the one being taken for that which is really lawful in itself, the other for that which is only lawful externally” (III. X. I.3). The Law of Nations is to be denied prescriptive force primarily (at least) because it is or has come to be nothing but the Carneades-like sanctioning of unconstrained personal advantage. And that is precisely what Grotius has set out to rebut and cast aside in the name of the Law of Nature. (Note that Sallust's proposition quoted as a summation of the Solemn War doctrine could as readily appear at the outset of Grotius's treatise as an expression of the

Carneadesian view.) Moreover, the primary values that Grotius invokes in support of his reversal against the Solemn War doctrine are precisely the Law of Nature values of Equity, Justice, and Reason (III. X. I.2 & II.1 & III.1 & VI.1). So, my wild hypothesis is that in the end, the Rights of Peace (which include the rights of naturally just war and naturally just conduct in war) vanquish the Rights of War.

Endnotes

[2.] The attack on Carneades must be entirely on behalf of the Law of Nature because, according to Grotius, Carneades does not discuss and, hence, does not challenge the Law of Nations (I. PD. XVIII).

[3.] Assuming the Law of Nature is not overridden or displaced within a particular State by the Civil Law (II. II. V).

2. Hans W. Blom, "Liberty and the Law"

Fernando Tesón reminds us of the crucial importance of the distinction between the law of nature and the law of nations when it comes to the cause of liberty in the modern world. I agree with most of what Fernando has written on Grotius's natural law, yet I would put some emphases different, and propose a divergent reading of Grotius. I believe that by constructing Grotius as a proponent of a deliberative theory of justice we can better understand both Grotius himself as well as the great impact he enjoyed in the 17th and 18th century.

Fernando has proposed four main theses: 1) the law of nations makes the law of nature impotent, partly through a mechanism provided by the law of nature itself: *pacta sunt servanda*; 2) the right of resistance against the government, which is denied citizens because resistance would dissolve the state, is only allowed in extreme necessity; 3) warfare is to be humanized, and the appeal is to monarchs (governments) to do what is morally recommendable (the decorum); 4) private property might be the foundation for constitutional rights.

Let us start with the right of resistance. In the chapter from *The Rights of War and Peace* (1625) that deals with war of citizens against their government, we find an intriguing sentence:

The praetor renders justice, even when he pronounces an unjust sentence [IPB I.4.3 (p. 344)].

The ambivalent use of “just” here suggests that the social function of rendering justice does not necessarily agree with everyone’s idea of what is just. Yet it renders justice because this praetor was the Roman official to whom citizens would bring their complaints against fellow citizens in order to resolve their disagreements. Precisely in negotiating divergent ideas of what is just in a particular case the rendering of justice consists. Four *actiones*, or legal remedies, could be sought from the praetor: concerning property, debt, recompense for incurred injury, and punishment. For Grotius this represents justice in its core sense. And he then postulates what will be central in his law of war and peace:

Now, as many *Sources* as there are of *judicial Actions*, so many *Causes* may there be of *War*. For where the Methods of Justice cease, War begins. Now in Law there are Actions for Injuries *not yet done*, or for those *already committed*. For the *First*, When Securities are demanded against a Person that has threatened an Injury, or for the indemnifying of a Loss that is apprehended; and other Things included in the Decrees of the superior Judge, which prohibited any Violence. For the *Second*, that Reparation may be made, or Punishment inflicted; two Sources of Obligation, which *Plato*, and before him *Homer*, have judiciously distinguished. As for Reparation, it belongs to what is or was properly *our own*, from whence *real* and some *personal* Actions do arise, or to what is properly *our due*, either by *Contract*, by *Default*, or by *Law*. To which also we may refer those Things which are said to be due by a *Sort of Contract*, or a *Sort of Default*: From which Heads all other *personal* Actions are derived. The *Punishment of the Injury* produces *Indictments* and *publick Judgments*. [*The Rights of War and Peace*, II. 1.2.1 (p. 394-6).]

By property Grotius naturally meant: life, liberty, and estate:

The Right which a Man has to his own, which contains 1. Power over ourselves, which is termed Liberty. 2. Property, which is either compleat or imperfect. 3. The Faculty of demanding what is due. [(I.1.5 (p. 138-9): *ius, sub quo continentur Potestas, tum in se (libertas),*

tum in alios, Dominium plenum sive minus pleno (usufructus, creditum). The English translation is rather free.]

Thus, justice is that which the praetor as the representative of the society provides, and war is the continuation of defending our claims in the absence of justice. But then what is a civil war? It is either a war among individuals, after the state has been dissolved, or it is a war between civil society and the political incumbents. The first case is well-known from Hobbes; the second case from Locke. Dutch followers of Grotius would argue that violent resistance against an incumbent who trespasses people’s constitutional rights (and thus in older parlance becomes a tyrant) is allowed, because this incumbent has become an enemy of the citizens. That is to say: either the government provides justice (even if by an unjust sentence) and thus cannot be attacked, or it stops providing that justice and becomes a private enemy. One might say that Grotius distinguishes – like Albert Hirschmann – “voice” and “exit.”

The Rights of War and Peace is mainly about war, and war is connected to justice by at least two strands: 1) the good of humanity and 2) the laws of war. Therefore both the law of nature and the law of nations apply to warfare. Hobbes and Pufendorf have famously argued that there is no law of nations in international law: each sovereign nation pursues its own interests on the authority of the law of nature. Grotius apparently doesn’t share that point of view. He sees – like an anthropologist – customs, practices, and regulations among (most, or the most advanced) nations, partly in the form of treaties, partly in the form of agreement among jurists: the water in wells ought not to be poisoned, ambassadors should be granted safe-conduct, etc. It is true that some of these customs are hair-raising: killing, robbing, and destroying was already prominent in the Old Testament, and hasn’t stopped since. Yet one might also try to find ways to escape the fate of war, by pursuing one’s rightful claims by legal means, and attempting when warfare is unavoidable to promote the common values of humanity that are shared among the nations. This is the famous Grotian Quest that went into the founding ideology of the Peace Palace in The Hague.

Notwithstanding this, Grotius was a political realist, who agreed with Machiavelli that it is more important to describe politics as it is than to build a Utopia in

the air. There is a strong element of reason of state in his writings in general, and in an intriguing way, in his natural law as well. The justice that is central to his concept of sociability and that of war is a *minimal* justice of property rights, but otherwise politics, including the civil laws that politicians legislate, is about utility.

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So it might happen that a government decrees that landed property can only belong to the nobility, as it was in Poland and in Brandenburg in the times of Grotius. Such a ruling does not prevent justice from being applied, even while it is unfortunate for the merchant or the farmer in such a country. Grotius would be the first to point out that such a ruling is also very disadvantageous to the well-being of the state, since it will lower agricultural production and chase away tradesmen and other commercial entrepreneurs. Since without a system of justice a state cannot exist, it is in the interest of that state to have a praetorial arrangement, with a concomitant interest in perfecting its system of justice as much as it can. The constitution of the state is the outcome of a historical process of adaptation, in which former agreements are replaced by new interpretations and arguments allow new agreements to arise. The great variety of constitutional forms in his days was ample proof of this historicity of the state. Consequently, Grotius makes the "more advanced nations" the benchmark for the contents of the law of nations, which in this respect is a kind of "secondary law of nature." As such, this law of nations must be considered to be the "primary law of nations," while the "secondary law of nations" is the purely volitional part of the law of nations. Pufendorf considered this distinction utterly unhelpful, for the good reason that if one considers all laws to express the will of their lawgiver (whether that is God or the sovereign), there is no place for intellectual exercises like the "consensus omnium," the considered opinion of the wise. And that

is precisely what a deliberative theory of justice would propose: institutions for public reasoning that allow agreements to appear. Agreements are the hallmark of truth, and to stand by one's truth is an expression of character.

But in the end, for Grotius there is no objective value, and everyone is the interpreter of his own interests, values, and preferences. It is on that basis that the praetor/judge is essential in any social form as the point at which to negotiate these interests, values, and preferences. It is for this reason that man has ratio and oratio, reason and speech, the two instruments for social deliberation.

God created man autexousion, "free and *sui iuris*," so that the actions of each individual and the use of his possessions were made subject not to another's will but to his own.... For what is that well-known concept, "natural liberty," other than the power of the individual to act in accordance with his own will? [*Commentary on the Law of Prize and Booty* (1604-5), II (p. 33-34)]

There has been something like an ideological war among natural law thinkers in the 17th and 18th centuries – to some extent replicated in present-day histories of natural law – and Grotius has been called as a witness on practically all of the contentious points. Consequently we have many different Grotiuses: Grotius the absolutist, according to Rousseau; the liberal (Adam Smith); the confused thinker (Pufendorf), and so on. Grotius's natural law equally shows this capacity for multi-interpretability: the last of the Scholastics (Peter Haggemacher), the first modern (Richard Tuck), or something in between (Annabel Brett). Grotius for sure is himself at least partly responsible since he likes to over argue his case by giving multiple arguments from different philosophical backgrounds (Aristotle, Plato, Stoics, Epicureans, and Skeptics) and from different literary sources (Bible, poets, classical philosophers, Scholastics). Look at how he describes the law of nature. It is "not those written laws, indeed, but the immutable laws of Heaven" (IPC, I, p. 16). "Baldus, who has wisely ruled that in any controversy arising between claimants of sovereign power the sole judge is natural reason, the arbiter of good and evil." The laws of nature are ordained by God, but through his creation; they are discovered by the joint intelligence of mankind (the consent of all nations). Moreover, the distinction between the primary and secondary law of nature doesn't help to clarify. And the

law of nature can be known a priori and a posteriori. Grotius clearly misses an awareness of the issues that will become crucial for his successors in natural law.

Yet there is method in this madness. Grotius has a habit of using unlikely candidates to speak in his support. In the *Commentary*, e.g., Grotius quotes Aristotle to support his notion of subjective rights against the Aristotelian conception of objective value. This type of forensic rhetoric has irritated his more philosophically minded readers, yet it should not distract one from seeing how effective Grotius was with this strategy. He inescapably introduced a legal and political individualism into the intellectual mindset of Protestant countries, together with a reworked cosmopolitanism meant to overcome the disastrous effects of reason-of-state politics. This legal and political individualism was considered to be central to the commercial success of the Dutch Republic, and thus permeated social and political thought all over Europe, sometimes in a more authoritarian fashion (Hobbes, Pufendorf, Rousseau), sometimes in a more libertarian fashion (Locke, Smith). Theologians wrestled with jurists, political thinkers with historians, and grand schemes of natural law took the place of Grotius's attempts in the early 17th century to salvage justice from European warfare. But his success was more solid as it had become almost invisible.

3. Paul Carrese, "The Moderation of Grotius"

Fernando Tesón's fine essay on Grotius is provocative on several points. My response explores his criticisms of the great jurist's effort to propound a philosophy of international law. I will seek to question his verdict on Grotius through recourse to another jurist-turned-philosopher, Charles de Montesquieu. Grotius seems less confused, his philosophy of international right less perplexing and contradictory, if we read his *On The Rights of War and Peace* (1625) in the spirit of a jurist who seeks not abstract philosophical clarity, but an attractive argument likely to reduce the incidence of conflict – and ameliorate those wars that do occur – by bringing principles of law, thus restraint, into this prevalent mode of human affairs. Grotius's complex mode of jurisprudence and philosophy deeply influenced Montesquieu's efforts, a century later in *On the*

Spirit of Laws (1748), to propound a philosophy of international right that declared principles of right to govern war, to promote peace and commerce, and thus to support the conditions for individual and political liberty. These jurists in turn deeply influenced the American founders in their effort, during the 1780s and 1790s, to construct a constitutional order and distinctive American grand strategy that would permit war only as part of a larger philosophy of peace, international order, protection of individual rights, and commerce. These are extraordinary achievements in human civilization, and it was this more complex or seeming paradoxical mode of philosophy that helped statesmen to promote liberty and civility.

"We should praise the lawyers – Hugo De Groot (Grotius) and Montesquieu, not to mention Professor Tesón – for their contributions to reorienting politics away from glory and conquest toward peaceful pursuits of individual rights, individual and communal happiness, and peaceful prosperity."

We should praise the lawyers – Hugo De Groot (Grotius) and Montesquieu, not to mention Professor Tesón – for their contributions to reorienting politics away from glory and conquest toward peaceful pursuits of individual rights, individual and communal happiness, and peaceful prosperity. We tend to take this for granted in the 21st-century world, since many of us hardly remember a time without a global order of liberal commerce and great-power peace. Moreover, my fellow academics tend to favor the more radical voices in philosophy who announce bright-line doctrines and novel systems, overlooking more moderate intellects who propose complex and balanced philosophies that straddle schools and offer fewer doctrines. If one extends the Enlightenment to include Grotius, then he and certainly Montesquieu exemplify the moderate Enlightenment – keen to consider the claims of modern philosophers for propounding radically new under-

standings of reality, truth, and right, but just as keen to temper those claims through awareness of the insights of classical and medieval thought that could not be discarded without impairing our understanding of human nature and political reality.

Tesón gives credit to Grotius's effort to restrict the definition of justifiable war, as being "quite visionary" and as prefiguring "the international law developments of the late 20th century," but insists nonetheless that these achievements rest on an "inaccurate" view of the law of nations. Indeed, the jurist's philosophical method is "messy" and "unsatisfying," given its seemingly contradictory statements on the degree to which natural law governs the law of nations. At other moments, however, Tesón appreciates Grotius's achievement more in the spirit in which it was intended, understanding that for Grotius the natural law is (in Tesón's apt phrase) "a complicated moral system" in its relation to human practice, especially that of war and peace between nations. He notes that Grotius's work was "intended for princes" rather than pure scholarly reflection, a decision that "should be commended, not criticized." Indeed, Richard Tuck's introduction to the splendid Liberty Fund edition of *The Rights of War and Peace* remarks on the work's widespread influence, reaching beyond scholars to statesmen – noting that "General Washington, like most well-educated English gentlemen, possessed a copy" (Tuck, "Introduction," xi). This is the better part of Tesón's argument, suggesting that Grotius's complicated, seemingly contradictory analyses of natural law and the law of nations accurately capture the reality of war, peace, and international affairs in a way likely to pull its leading actors toward moderating and ameliorating both thought and action, all with the aim of setting a more humane standard for political conduct.

Montesquieu does not often cite by name the great jurists of international law such as Pufendorf or Grotius in his own influential work, *The Spirit of Laws*, but his private notes (the *Pensées*, translated by Henry Clark in a Liberty Fund edition) reveal that he was inspired by the erudition of Grotius. While drafting *Spirit of Laws* he wrote: "I give thanks to Messrs. Grotius and Pufendorf for having so well executed what a part of this work demanded of me, with that loftiness of genius which I would not have been able to attain."^[4] Montesquieu in turn was the single most important influence on the drafting of the American

Constitution and Bill of Rights, rivaled only by one of his protégés, Blackstone. Moreover, it is telling that voices of the moderate Enlightenment such as Grotius, Blackstone, and Montesquieu are cited throughout *The Federalist*, but more radical, analytically pure voices such as Hobbes and Locke are not invoked.^[5] If Washington, in his *Farewell Address* (1796), argued that America's strategy should be to balance consideration of its interests with the strict guidance of universal principles of justice – and therefore avoid being entangled in Europe's great power politics while also engaging in international commerce and undertaking temporary alliances as needed – then both Washington and his advisers were echoing the balanced philosophy of international affairs propounded by Grotius and refined by Montesquieu.

Grotius announces a philosophical stance of moderation – of avoiding intellectual and practical extremes in search of a truer, higher, middle ground – from the beginning of *De Jure Belli ac Pacis*. He notes that the "monstrous barbarity" and "licentiousness" regarding war even among Christian nations induced some Christian thinkers to endorse pacifism; but this, he says, moves "too much to the opposite extreme." His task is to find the golden mean, "as well to prevent believing that nothing, as that all things are lawful" in war (PD, secs. 29-30, 106-7; see Forde 1998, 639 and Zuckert 1994, 123, 343 n. 22).^[6] In a similar vein, Grotius defines human nature as oriented to society, but notes that society serves individual interest; and the same complex, balanced relation holds in the society of nations. Just as an individual that violates domestic laws with a view to narrow self-interest "thereby saps the foundation of his own perpetual interest," so a nation that violates the common "reason" inherent in "the laws common to all nations" – found in "the laws of nature and nations" – merely "break[s] down the bulwarks of their future happiness and tranquility" (PD, sec. 19, 94-95). This balance of self-interest and sociability, indicative of Grotius's philosophical moderation, informs his entire approach to the law of nations and its grounding in the law of nature.

Grotius thus announces that a primary means to reducing conflict is to avoid giving grounds for conflict that might arise from strict claims about the linkage of the natural law and the law of nations. Allowing so many "permissions" by which the law of nations suspends adherence to the law of nature "cuts off infinite

disputes” in international affairs (II.12.26, p. 766; see Forde 1998, 643). Making strict adherence to natural law the standard for the law of nations “would be dangerous,” for if a third state were to “pronounce on the justice” of a conflict between two other states, “that state might quickly be involved in a war with other people.” Because “even in a just war it is very hard to judge” what are the right means of *ius in bello*, “it is far better to leave it to the conscience of the persons engaged in war” to judge such matters and make their case (III.4.4, 1275-77; see also III.9.4, 1386; Forde 1998, 645). This justification explains why Grotius turns in the last part of *De Jure Belli ac Pacis* to call for “moderation” regarding the grounds for war and its conduct. He has prepared for this turn all along. Beyond the effort to shame Christians in the broader arguments of the Preliminary Discourse and Book I, he invokes “the law of charity” repeatedly in the more detailed analyses of *ius ad bellum* and *ius in bello*. Thus the law of nature might permit us to risk the death of innocents to ensure self-preservation, but “the law of charity ... does not permit it” (II.1, p. 398; see also, e.g., III.2, p. 1243). These occasional references become a refrain once Grotius thematically emphasizes in Book III the importance of moderating, thus elevating, the conduct of states above the minimum standards permitted by the law of nations. Indeed, the law of love becomes the definition of “humane” conduct expected of civilized, dignified leaders and their peoples (e.g., III. 13.4, 1478-79).

It is true that Montesquieu insists upon refining Grotius; the latter’s argument for civility and humanity becomes, in *The Spirit of Laws*, a requirement of the right of nations. A pillar of this right, or law, is “the law of natural enlightenment,” which, says Montesquieu, “wants us to do to others what we would want to have done to us” – even in, or especially in, matters of war, security, and conquest (Montesquieu 1989, 10.3, p. 139). Nonetheless, as Montesquieu noted, he could not have developed this argument – which taught America’s constitutional founders such great respect for the law of nations and high standards of justice in international affairs – but for the genius of Grotius.

Endnotes

[4.] Montesquieu, *My Thoughts*, ed. and tr. Henry Clark (Liberty Fund, 2012); no. 1537, at pp. 441-42;

see also no. 1863, at p. 556; both passages point to the closing remarks of the Preface to *Spirit of Laws*, as well as to the analysis of the right of nations in Book I, chapter 3 and Book X. See also Tuck 1999: 184-87.

[5.] Publius invokes Grotius in no. 20 (Madison) and no. 84 (Hamilton); see Hamilton, Madison, Jay, *The Federalist: The Gideon Edition*, ed. Carey and McClellan (Liberty Fund, 2001), pp. 96-97, 449. On Montesquieu’s influence, see Donald Lutz, “The Relative Influence of European Writers on Late Eighteenth-Century American Political Thought,” *American Political Science Review* vol. 78 (1984): 189-97. Moderation is explicitly invoked as an intellectual and political virtue in the opening and closing essays of *The Federalist* (no. 1, p. 2; no. 85, p. 453).

[6.] All references are to Hugo Grotius, *The Rights of War and Peace*, 3 vol., edited by Richard Tuck (Liberty Fund, 2005). Following custom, the references are to the *Preliminary Discourse* (PD) or Book, as the case may be, chapter, section, and page.

3. THE CONVERSATION

1. Fernando R. Tesón, "Was Grotius Just an Advocate?"

The excellent comments by Eric Mack, Hans Blom, and Paul Carrese have taught me a number of interesting things about Grotius and, in passing, have shown how little I know about this intriguing figure. I have no obvious counterpunch, and, like Eric, I suspect that the suggested readings are at least as good as mine, and probably better.

So I will confine myself to a few general remarks. I must confess from the outset that I am one of those who, in the words of Paul Carrese, prefer analytical purity to political moderation. This is in great part adaptive behavior, because I am a bad historian and not particularly good at contextual analyses of philosophical argument. I learned a lot from Hans Blom's skillful location of Grotius's in the contemporary and modern literature. I was likewise marveled at Paul Carrese's account of Grotius's influence on the founders of this republic. And I particularly liked Eric Mack's radical hypothesis that Grotius was inviting us to jettison the Law of Nations. The comments demonstrate conclusively, if there was any need, Grotius's *historical* influence on both the politics and the philosophy of the day.

Having said this, I'm afraid I'll stand by my criticism of Grotius's jurisprudential method. Put succinctly, his arguments are not very good. I mean his *arguments*, not his conclusions. I concur with Paul that *De Jure* is a manifesto for moderation, and I particularly like Eric's and Hans's suggestion that Grotius is, in different ways, a forerunner of modern liberal thought. But nothing I read from them has addressed to my satisfaction the conceptual problems that afflict *De Jure*.

The first and less serious problem, not to repeat myself, is the somewhat arbitrary presentation of the Law of Nations, of international custom. Grotius would not have passed my international law course by quoting Seneca, Tacitus, and Carneades. One would have expected a leading jurist and diplomat to enlighten us about the international practices *of his time*.

But the more serious problem is that his jurisprudential method fails to explain how moral truths bear

on legal propositions. Being a natural lawyer is a tough way to make a living. Positivists have it easy: they simply point to social facts (laws, treaties, and custom) and say that they determine the content of legal propositions. But as soon as you summon the Law of Nature you must specify what exactly *is* a natural-law argument and how you think it treats the social facts of human law. St. Thomas Aquinas and Ronald Dworkin are two illustrious examples of efforts in that direction. But Grotius wavers between one and the other (sometimes, I fear, according to convenience) and in doing so he becomes vulnerable to the charge of arbitrariness. It is not a coincidence that writers see Grotius so differently, as Hans Blom reminds us. Positivists claim Grotius as one of their own because of his vindication of the Law of Nations as binding notwithstanding its demonstrable injustice. Natural lawyers also enlist him in their ranks because of his vindication of the Law of Nature in the Preliminary Discourse and elsewhere. But in my judgment Grotius did not present an intellectually satisfying *integrated* view, that is, a view that would calibrate the positivist and nonpositivist strands in his argument.

Paul Carrese is absolutely right: Grotius eschews intellectual purity in favor of what works, what can persuade people. I will be the last to deny the importance of advocacy, but an argument's historical importance or political success does not speak to its truth or quality. Advocacy, I would suggest, is a failure of political discourse, because its aim is to persuade and not to seek the truth. Was Grotius just an advocate? This is surely too harsh: keener minds than mine, including my commentators, have rendered a favorable verdict. But this does not relieve us from subjecting Grotius's arguments to probing scrutiny. If we like his moderate views, we would want them to prevail in the realm of ideas, and not just in the messy arena of international politics.

2. Eric Mack, "Grotius on the Right of Resistance"

Both Fernando and Hans discuss briefly Grotius's doctrine concerning a subject's forcible resistance against his own sovereign. I want to return to this topic briefly because it provides another occasion on which Grotius seems to take a strongly illiberal and authoritarian stance and yet subsequently reverses that stance. Is this confusion on Grotius's part? Is it moderation? Is it the inherently anti-authoritarian logic of his normative premises reasserting themselves? I, of course, would like to believe it is the third of these.

The question that is initially at hand is whether subjects may act against their sovereign when "the civil Powers command any Thing contrary to the Law of Nature or the Commands of God..." (I. IV. I, 337). Grotius's immediate response is that subjects may decline to obey such commands. However, they may *not* forcibly resist any injury that the civil power sets out to inflict on them in response. Rather than resist at this point, Grotius says that the subject who has declined to obey the command of the sovereign must patiently submit to the sovereign's injurious response. "But if for this, or any other cause, an Injury be done us by the Will of our Sovereign, we ought rather to bear it patiently than to resist by Force" (I. IV.I, 338). (It is significant that Grotius says "injury" here, for, since an "injury" is a wrongful or unjust harm, Grotius is saying that subjects may not resist even though the civil power's response is wrongful or unjust.)

Grotius proceeds to give a type of social-contract account for this obligation of nonresistance. All men begin with "... a Right to secure themselves from Injuries by Resistance...." But the establishment of the state requires that "the State has a Power to prohibit the unlimited Use of that Right...." Indeed, the state could not exist if "that promiscuous Right of Resistance" continued to exist (I. IV. II, 338). Grotius then solidifies the conclusion that resistance against even unjust harm by the sovereign is *always* unacceptable by assuming that even the limited use of a non-promiscuous right of resistance must have been surrendered in the establishment of the state.

However, as we move forward in this chapter, we get a striking reversal. Grotius tells us that "A more difficult Question is, whether the Law of Non-resis-

tance obliges us in the most extreme and inevitable Danger." After all, even "some of the Laws of GOD, however general they be, seem to admit of tacit Exceptions in Cases of extreme Necessity..." (I. IV. VII, 356). And now Grotius tells us that, although those who enter into civil society give up their unlimited (promiscuous) right to resist injuries at the hands of others, they are most plausibly understood as retaining a limited (discriminating) right to resist injuries.

Suppose [those entering society] had been asked, Whether they pretended to impose on all Citizens the hard Necessity of dying, rather than to take up Arms in any Case, to defend themselves against the higher Powers; I do not know whether they would have answered in the affirmative. It may be presumed, on the contrary, they would have declared that one ought not to bear with every Thing, unless the Resistance would infallibly occasion great Disturbance in the State, or prove the Destruction of many Innocents. [I. IV. VII, 358]

Grotius immediately considers the thought that, if not by contract, at least by "Divine Law," subjects have a "rigorous Obligation to suffer death rather than at any Time to resist an Injury offered by the Civil Powers" – and he rejects this thought as well. Moreover, if I read him correctly, he goes on to say that it is even permissible for a small number of individuals – a small part of society – to forcibly resist such injuries. Wonderfully, Grotius invokes here the very Barclay – "the stoutest Assertor of Regal Power" -- whom Locke later describes as "that great assertor of the power and sacredness of kings" (*Second Treatise*, §232) and invokes on behalf of resistance.

... I dare not condemn indifferently all private Persons, or a small Part of the People, who finding themselves reduced to the last Extremity, have made use of the only Remedy left them, in such a Manner as they have not neglected in the mean Time to take care, as far as they were able, of the publick Good. [I. IV. VII, 358]

3. Paul Carrese, "Grotius and Philosophical Moderation" [Posted: March 18, 2014]

Fernando Tesón's response interprets my view of Grotius as suggesting that the project of *De Jure Belli ac Pacis* was practical advocacy – seeking to prevent war, or meliorate its horrors – rather than a search for the truth of human affairs. If I gave that impression, that Grotius had chosen efficacy in the messy political world against understanding the truth about politics, then the error is mine. I should clarify my view that Grotius saw himself as within the broad Aristotelian tradition of political and moral philosophy, and thus of jurisprudence, in which truth is defined as an understanding that discerns how to practically improve human affairs so that we can better achieve the aims of our nature. I do not mean to deny, in advancing this view, that Grotius is a liberal and a modern. Apart from my trepidation at the prospect that Eric Mack and Hans Blom would pounce upon any such suggestion, I tried in my first response to indicate that Grotius – like his progeny Montesquieu and Blackstone – was an intentionally moderate sort of modern, liberal mind. This strain in the moderate Enlightenment sought to retain or revive elements of classical and medieval thought that would achieve the humane aims of modernity and liberalism more adequately than had the radical philosophies that repudiated the philosophical tradition to a substantial degree. That repudiation was undertaken both in the name of human progress and in the name of analytical clarity.

When I averred that Grotius as a jurist and philosopher sought “not abstract philosophical clarity” but rather principles that would be likely to meliorate and humanize international affairs, I should have clarified immediately that Grotius did not see this as a binary choice between truth and efficacy. I did state, perhaps too late, that for Grotius a proper moral-political philosophy would balance the insights of several philosophical schools rather than adhering to strict doctrines of analytical clarity. This is because, for Grotius, the aim of such philosophy is to accurately capture the reality of war, peace, and international affairs. I did add that Grotius thought accuracy also would be likely to pull leading actors toward moderating and meliorating thought and action; but I should have clarified that this harmony of truth and humane efficacy is a prod-

uct of Grotius's kind of soft teleology about human affairs.

"Grotius's view of a complex or balanced or moderate human nature – avoiding the opposing extremes of an asocial nature or a fully political nature – fit with a larger jurisprudence that sought to avoid the opposing extremes of pacifism or Machiavellism about war, peace, and international affairs."

As Eric Mack noted in his first response essay, Grotius adopts those elements of classical and medieval philosophy that define human nature as both oriented to sociability and interested in individual advantage. (I had cited PD, sec. 19, 94-95; see also, e.g., I.I.III-IV, 136-38, and II.II.XIII, 443-44.) Unlike Aristotle or Aquinas (to pick two philosophers holding this balanced, complex view of our nature), Grotius seems more to emphasize elements of individual liberty and property rights, and he emphasizes that our natural aim is social harmony, not political order per se. It is no accident that Aristotle and Aquinas, given their view of a complex human nature, defend private property, but nonetheless each holds that we are oriented to political union. This view tends to place priority on the political over the social, and thus gives less scope for individual liberty (although, Aquinas might be said to be a bridge from Aristotle to the modern, liberal views of Grotius, given that Aquinas defines our nature as being both social and political).

My point was that Grotius's view of a complex or balanced or moderate human nature – avoiding the opposing extremes of an asocial nature or a fully political nature – fit with a larger jurisprudence that sought to avoid the opposing extremes of pacifism or Machiavellism about war, peace, and international affairs. A proper conception of natural law, and of how it guides any positive law (including the law of nations in all its senses), would see the truth as helping us to achieve the

aims of our nature. Grotius thus perpetuates Aristotle's view that any science of human affairs (primarily ethics or political science, but also jurisprudence) should strive to attain only the clarity that accords with the subject matter, and therefore a philosopher should not seek the same level of precision in all arguments (*Nicomachean Ethics*, Book I, ch. 3, 1094b12-28). Indeed, Aristotle closes the *Ethics* by calling for a new discipline, political science, because in the practical human sciences it's not good enough to achieve philosophical clarity in the abstract; one's clarity has to be an achievable, practical standard both for individuals and political communities (*Ethics*, Book X, ch. 9, 1179a33ff).

Perhaps what is missing from Grotius is a theoretical or conceptual statement of this philosophical moderation, i.e., avoiding either skepticism or a false analytical clarity; also missing is a clearer conceptual statement (of the sort Tesón seeks) of how he integrates his accounts of positive law (customary law of nations) and natural law (with its normative requirements). My own view is that if we adopt the Aristotelian conception of appropriate philosophical clarity, we at least can find such statements in Grotius's work. (I had cited a few such moments.) His general project seeks a middle path between, on the one hand, a moralism that aims too high for human nature and human affairs and either is dismissed as impossible or unintentionally causes more harm than good, and on the other an immoral or amoral positivism regarding law and politics.

I had cited some passages from Michael Zuckert's analysis of Grotius, in which he finds moderation to be a central theme, but I close with a more specific conception of Grotius's philosophical moderation that captures my point: in Zuckert's view, "the deepest thrust of Grotius's thought" is to move toward "both a very determinate and specific standard of right, a standard beyond the vicissitudes of religious and political controversy, and an effective standard, one that can stand up to the sneers of the Machiavellis of the world, who say that the natural law is 'weak and unarmed'" (Zuckert 1994, p. 148, emphasis added). Grotius may not meet his own standard; it may be that another conception (more analytically pure) has a better standard of truth; still, it is important to discuss which standard we are using to judge Grotius's efforts.

4. Hans W. Blom, "*Ius Gentium*, the Law of Nations, and the Law of Nature at the Birth of Liberalism"

Fernando Tesón rightly insists on a distinction that is part and parcel of modern international law: that between positivism and natural jurisprudence. I say rightly, because it is on these dimensions that modern international law developed. The question is: what has it to do with Grotius? And another: what with liberalism?

The old distinction in Roman law was between *ius civile* and *ius gentium*, respectively, the law that applies to citizens of Rome and that which applies to all people indistinctively. For the practice of Roman imperialism, this was a useful distinction, no doubt, but it had nothing to do with international law: the normative cadre of Roman imperialism had its origins in the legal concepts of Roman *ius civile*. Thus part of the problem is the equivocal expression *ius gentium*, meaning both that law that is shared by all peoples and (yet only from somewhere around the 17th and 18th centuries) the law that holds between nations. For example, when in 1672 Samuel Pufendorf titled his magnum opus *De iure naturae et gentium* (*On the Law of Nature and Nations*) he made it a point of principle to identify the two, criticizing Grotius for failing to do so. About international law Pufendorf had precious little to say, i.e., because he strongly believed that nations were in a state of nature relative to each other, and thus considered the law of nature sufficient as a normative context. Whatever Grotius and Pufendorf were discussing, it was not the status of international law, but the law of nature.

Now if we agree with Hayek (*Law, Legislation, and Liberty: A New Statement of the Liberal Principles of Justice and Political Economy*, vol. 2 *The Mirage of Social Justice* [University of Chicago Press, 1976], p. 59.) that the term natural law "ought to be avoided," then we might want to know what other term to use: human rights? (global) justice? (international) law? The choice is somewhat arbitrary since each of these has good claims to being the heir of natural law. I will opt for the human-rights/global-justice pair, also because historians of international law are canvassing the effects in their field (e.g., Martti Koskiennemi). That Grotius is relevant to human rights seems obvious, and to the second concept as well, if we accept the following definition:

Global public reason is a standpoint “from which positions are to be justified by way of giving reasons people of different moral or political backgrounds could accept.” [Mathias Risse, *On Global Justice* (Princeton: Princeton University Press, 2012), p. 94.]

And this is in the spirit of Grotius, who understood natural law indeed to be a set of normative principles that are valid independent of religious or political preferences. Hayek for good reasons questions the very idea of immutable principles – both the immutability and the principledness, evidently – and I would suggest that it makes best sense of Grotius to see him lean in that direction too.

This issue of global public reason is best developed by drawing attention to a topic very central to Grotius, viz., *consensus*, that we might translate as agreement, shared judgment, or consent, depending on the precise context. The term is first introduced in his major conjuring trick, by which he removed God from the equation. Natural law, he says, are the moral principles pertinent to man, and naturally these depend on God the Creator of the world. In order to know these principles, however, Grotius does not point towards our religious understanding of God, but to our own understanding of our own nature, as created by God. Our moral principles are those that belong to our nature, and we have to study our own nature in order to find out. German theologians in the 17th and 18th centuries called this derogatorily “naturalism,” as if it was a way of handing over moral responsibility to naked nature. But that was not the case: in order to find out the nature of man and its moral implications, we need to study, and as Alexander Pope said so famously: “The proper study of mankind is man.” And the hallmark of good results is that they can command agreement among the researchers: consensus. As we all know, such a consensus sometimes is a travesty, because based on “political correctness,” on brutal power even, or ideological bias, sometimes on ignorance of true causes. So in the end, “consensus” is a process concept; it has to be amended and corrected; consensus thrives by dissension and debate. Grotius, e.g., points at consensus when showing that his core notion of self-defense is recognized by all philosophical currents, including the Sceptics. (Part of his eclecticism has to do with the importance of consensus in natural-law argument.)

Why do we want to know the moral principles belonging to man? Grotius’s answer was that moral principles that mankind can universally agree on allow us to end and/or prevent wars, since wars are only justified in case of a lesion of these principles. This argument is circular, evidently, but the circle is sufficiently large to make it worthwhile.

"Grotius's answer was that moral principles that mankind can universally agree on allow us to end and/or prevent wars, since wars are only justified in case of a lesion of these principles."

It is different with other agreements. People(s) can agree on many things: on religious obligations, on political obligations, on manifest destinies or tax regimes, on international alliances or trade agreements. All these agreements have the force of law implied in their respective agreements, and it is a separate intellectual and/or political game to sort out the precise implications of such arrangements.

The effort to find out what moral principles are inherent in man’s nature is thus based on consensus, on reasons acceptable to all concerned. And here is the great difference with consent. When I consent to something, I am considered obligated because of the act of consenting. But when I agree to a reason, it is not the act of agreeing that has moral force on me, but the content of the reason.

If I agree to become a slave (because I have good grounds to fear that I otherwise might be killed), then I engage in a legal form that is dictated by the polity I live in. In the times of Hobbes (who elaborated on this example from Grotius), slavery was accepted in many parts of the world. (See the discussion between John Cairns and Gustaaf van Nifterik in *Grotiana* vol. 22/23, 2001-2002, pp. 197-244.) Although one may doubt whether slavery conforms to the moral principles inherent in mankind, there was at that time no consensus that it did not. Besides, in the Grotian example the voluntary slaves are those taken prisoner in a just war

and who have forfeited their property and life by unjust warfare. It is the Nuremberg Tribunal version of natural law, not the war of all against all of Hobbes. But no doubt later, “more advanced” ages have seen new consensus on reasons grow, and the direction of these new developments are in interesting ways in line with Grotian ideas.

In John Rawls’s *The Law of Peoples* (Cambridge, Mass.: Harvard University Press, 1999), we find an important attempt to develop a consensus based universal set of moral principles. Mathias Risse’s *On Global Justice* is a more recent elaboration of a similar set-up. Interestingly, Risse takes recourse to Grotius throughout the book, claiming that especially in the concept of the earth as the common property of mankind, and in the way in which Grotius developed private property out of it, we find ingredients for global public reason. And thus it is all about liberalism as well, especially as it turns out that the basic ingredients that go into the equation are property and trade.

5. Paul Carrese, "The Radical Grotius Hypothesis: Why Not a Philosophical Middle Ground?"

Erick Mack’s reply to Fernando Tesón’s initial essay finds the two in agreement about a conflict in *De Jure Belli ac Pacis* – namely, that Grotius does not adequately explain how to harmonize his conceptions of natural law and the law of nations. They further agree that the better philosophical and jurisprudential element in Grotius is the natural law, the higher normative standards for war and peace. Mack then proposes a hypothesis, admittedly “radical” and “wild,” that Grotius intended to heighten the tension between these two kinds of law so that we would be compelled to jettison the customary law of nations given the moral and philosophical superiority of the law of nature. I learned from, and agree with, nearly all of Mack’s analysis of the Grotian conceptions of the laws of nature and of nations, and of the rights of peace and war. However, rather than finding in Grotius an irreconcilable conflict in these pairs – such that he ultimately seeks to discard the law of nations and rights of war in favor of the rights of peace that accord with the law of nature – I again suggest that the Grotian philosophy seeks a sound middle ground between extremes. It is

possible that he seeks a balance or blend of views on the complicated relation between these kinds of law, especially given the analogous senses of “the law of nations” that he employs.

One issue is whether Grotius strictly defines the law of nations as only positive or customary law, as Mack contends, and therefore whether the law of nations exists only in contrast with, or contradiction to, the law of nature. I reply that for Grotius “the law of nations” is polyvalent. One sense is, as Mack argues, a positive law that is not derived from nature – the law of nations as “voluntary” or customary law. Mack cites the Preliminary Discourse defining the customary law that nations adopt “by common consent.” Still, the phrasing is careful: this “is *called* the Law of Nations, *when* used in distinction to the Law of Nature” (PD XVIII, 94, emphasis added; see also II.VIII.I, 634). Grotius leaves room here for a secondary sense of the law of nations, one not so opposed to the law of nature. Indeed, the next section suggests that the law of nations reflects the law of nature, which aims at the happiness or fulfillment of our nature. States that violate the law of nations undermine their own good, since the law of nations manifests the natural law: “So that people which violate the Laws of Nature and Nations, break down the bulwarks of their future happiness and tranquility,” since violating these related, mutually reinforcing laws is acting contrary to “the impulse and direction of our own nature” (PD XIX, 94-95). Shortly thereafter Grotius insists that this intrinsic relation between the kinds of law entails that “the society of mankind, or of several nations” requires conduct according to principles of “right” and standards of “just or unjust” (PD, XXIV, 98-99, including note 3). He cites both Aristotle and Cicero, but emphatically endorses Cicero on moderation or modesty (*temperantia*) in human affairs. That “great orator and philosopher” insists that we must never forsake moderation and the higher requirements of natural law for its lowest requirement of self-preservation, since (quoting Cicero), “there are some things so shameful and criminal, that a wise man will not do them even for the preservation of his country.”

Mack admits that Grotius uses “laws of nature” as polyvalent, with a focal sense and then (as Mack writes) “an extended and less proper sense.” (Mack also cites III.X.1, 1414, on the polyvalence of “law.”) In Grotius’s deployment of “the law of nations,” some

passages emphasize the distinction between the two kinds of law (e.g., PD XLI, 112) – with natural law meaning inferences drawn from nature, while the law of nations derives from universal consent. Elsewhere he discusses “the right of nations” as considered to be derived from the right of nature (I.I.XIV, 163). Still elsewhere the law of nations merges with the law of nature: “By the law of nature then, which may also be called the law of nations, it is plain, that every kind of war is not to be condemned” (I.II.IV, 189).

"He seeks to persuade elites in the Christian nations, and in nations seeking to be considered civilized, that legitimate reasons and laws must reflect not the minimal sense of the law of nations but the higher standard that pulls together the two laws, of nature and nations."

Upon this basis, I will recapitulate the *moderate* hypothesis by suggesting that Grotius’s emphasis in Book III of *De Jure Belli ac Pacis* on moderating and elevating the law of nations – so as to bring it up to the standards of the law of nature, justice, equity, and the Christian law of love (III.X and following) – is not *so* remarkable or extraordinary a turn. Throughout the three books he has noticed, and condemned, the gap between the customary law of nations and the law of nature regarding both *ius ad bellum* and *ius in bello*. This also is, for him, a gap between customary law of nations and the more legitimate law of nations grounded in or derived from nature (and thus from justice, equity, and the virtues both strictly rational and Christian). He seeks to close that gap. Mack argues that Grotius does so by jettisoning the law of nations with its rights of war, then building a new conception of “the rights of peace” on the proper law of nature. That would seem to turn Grotius in a pacifist, even Kantian direction that doesn’t comport with the complexity and balance of his philosophy.

That said, the complexity of Grotius’s analysis, and of his ultimate effort to push the law of nations in a truer and more natural direction, leads us to these interpretative difficulties. He seeks to persuade elites in the Christian nations, and in nations seeking to be considered civilized, that legitimate reasons and laws must reflect not the minimal sense of the law of nations but the higher standard that pulls together the two laws, of nature and nations. Perhaps he seeks to demonstrate his encyclopedic understanding of all the reasons – excuses – rulers have for following the lower path of war as injustice, in hopes that this provides him a credible basis for pulling them toward a higher conception of justified, and more limited, war. Recent events remind us that rulers and diplomats can claim to abide by international law, and principles of democratic consent, while merely citing such scripture for brutal purposes. Grotius alerts us to the distinction, but in a way that retains a credible or realistic awareness of the presence of brute power in international affairs.

6. Eric Mack, "Another Shot at the Law of Nations"

Paul discusses and critiques my radical and wild hypothesis – that Grotius’s real message is that we should jettison the law of nations and place our hopes on the law of nature – with marvelous scholarly delicacy. Someday, when I grow up, I’d like to achieve a slither of that intellectual refinement. (But my hopes are very slim.) And, of course, Paul is correct to point out that Grotius gives different characterizations of the law of nations in different places; and that is a problem for my hypothesis.

Moreover, there are particular moments in Grotius’s discussion of the morality of conduct in warfare that do not fit my suggestion that, if anything, Grotius seeks to exaggerate the brutality of law-of-nations norms and the non-brutality of the counterpart law-of-nature norms. For example, had Grotius been dead set on emphasizing the brutality of law-of-nation norms, he would not have paused to say that the law of nations precludes the ravishing of the enemy’s women (III. IV. XIX.1). I also believe there is one instance in which the law of nations is said by Grotius to be more restrictive of conduct in war than the law of nature.

But I have not been able to locate that instance in the text.

Still, the contrast between what Grotius says the law of nations allows in warfare and what he says the law of nature allows is very striking. In case after case – e.g., the killing of bystanders, the killing of prisoners, the killing of those who have asked for quarter, the seizure of the property of the enemy’s subjects or the property of those who happen to be in the enemy’s territory, and so on – the law of nations is said to permit the conduct and the law of nature is said to prohibit it. Equally striking is the fact that Grotius does not say, “Well, there is the law-of-nations teaching and there is the law-of-nature teaching. We should attend seriously to both and (somehow) come up with stances that give each their considerable due weight.” Rather, at the beginning of his presentation of the law-of-nature teachings, he says that he must “take away from those that make War almost all the Rights, which I may seem to have granted them [under the law of nations]; which yet in Reality I have not” (III. X. I.1). So I think I at least want to stick by the claim that Grotius is on the verge of calling for the jettisoning of the law of nations – where this is understood as a body of norms quite distinct from the law of nature.

I did offer, and I re-offer here, a supplementary hypothesis about why we find Grotius giving both law-of-nations and law-of-nature answers to questions about what is lawful in war. That hypothesis is that he is engaged in both a positive account of the law and a normative account of the law. I supported that account by citing Grotius’s remark that there is a “double Meaning of the Word *lawful*, the one being taken for that which is really lawful in itself, the other for that which is only lawful externally” (III. X. I.3). My thought is that Grotius is engaged in both this descriptive project and this normative project and that he is not clear enough in his own mind about the difference between these projects.

In his initial essay, Fernando criticizes Grotius for not presenting a report of the actually accepted norms of warfare of his time. Presumably, the real law of nations for his time consisted in those actually accepted norms. Were those actually generally accepted practices of Grotius’s time less horrendous than what Grotius says is permissible under the law of nations? I certainly do not know – albeit, Shakespeare’s *Henry V*

suggests less contemporary acceptance of the killing of prisoners than is found in Grotius’s recounting of the law of nations.

Why do I raise this historical question? My reason is that, if the actual accepted norms of warfare of Grotius’s time were less horrendous than the law-of-nations norms that he recounts, one might take that as evidence that Grotius was going out of his way to give a horrifying picture of the law of nations.

7. Paul Carrese, "Liberty and International Order: The Truth of the Law of Nature and the Primary Law of Nations"

Hans Blom’s two essays in this conversation argue, as only a renowned Grotius scholar could do, that Grotius is a quite modern thinker about natural law, justice, and war. Blom also suggests that Grotius points toward postmodern conceptions of moral and political thought. That is, if postmodernism means the rejection of nature and immutable truth as the grounds for moral and political principles, then Blom seems to read Grotius as a proto-postmodernist. This interpretative issue has a direct bearing upon war, peace, and international security in our 21st-century world. This is especially so given the recent demonstration that a great-power state bordering Europe has little regard for international norms about settled international borders, or the illegitimacy of aggressive or revanchist military force. My practical claim is that if thinking about the law of nations is seen to rest only upon contemporary consensus, ever-revised – rather than resting upon the immutable ground of the law of nature – then international law loses much of its legitimacy and force. This practical claim in turn rests on an academic one – that, *pace* Blom, Grotius is not a proto-postmodern, but instead is a modern natural-law jurist who searches for the ground of immutable truth that should guide international conduct.

Having staked the latter claim, I immediately will soften it. In fact I think my view of Grotius is not diametrically opposed to Blom’s. Still, if we do disagree, I avail myself of Grotius: when discussing the authority of Aristotle, Grotius echoes Aristotle’s own view that we must respect great philosophical minds but depart

from them if need be “for the sake of finding truth” (*De Jure Belli*, PD XLVI, 123). Having cloaked myself with *amicus Plato*, I proceed to recklessly query a Grotius expert who offers two instructive contributions to our conversation.

Blom argues that Grotius propounds a “deliberative theory of justice” as a constructivist conception of right and law. No individual or state has access to ground truth, so if we are to have peace and some kind of justice, we must work within institutions that establish “public reasoning.” These in turn allow peaceful arbitration and development of “agreements” on norms. (In his essay on the *ius gentium*, Blom emphasizes a contemporary “consensus” on “normative principles” as what Grotius means by natural law.) Blom declares: “in the end, for Grotius there is no objective value, and everyone is the interpreter of his own interests, values, and preferences.” Thus the Grotian appeals to “right” and “natural law” really endorse a process of debate, and recognition of institutions for arbitration and reconciliation of views, so as to construct norms for governing conduct.

I agree with this view to the extent that Grotius is not a Kantian in search of *a priori* truths known purely by reason, without the corruptions of experience or consequences. That said, is a postmodern constructivism Grotius’s only alternative to this? If I were to invoke moderation here, I fear my partners in this dialogue will roll their eyes. Nonetheless I aver that Grotius held to a philosophical middle position between conventionalism (the opponent he confronts in opening the work) and philosophical absolutism, or *a priorism*. He does so as a jurist and theologian who was liberally educated in the Roman civil law as modified by Christian philosophy and jurisprudence. Central to that complex tradition is the balance between fixed but general principles of natural right on the one hand and, on the other, the individual’s judgment in discerning how to adhere to right in particular or changing circumstances. Grotius invokes these conceptions of prudence and judgment early in the work, and relies upon them throughout.

For example, Grotius states that man is endowed by nature with “judgment” and must exercise “a right and sound judgment” in discerning what natural right requires; this in turn will guide a “prudent management” in exercising distributive justice with all its dis-

criminations among competing elements (PD IX-X, 87-88). In discussing punishments – which are both a domestic matter and provide a rationale for war against offenders – he insists that the virtue of prudence is needed for both civil and international cases of wrong to discern whether and what punishment is due (II.20.IV, 972-75; see also II.20.XLIII, 1026-27). Aristotle thus was correct to declare prudence as “a virtue peculiar to” rulers (II.26.IV, 1179).

"I agree, therefore, that Grotius celebrates the jurist and statesman as arbiter, the embodiment of the distinction between peace and war. The capacity to reconcile disputes through mechanisms of law is indeed “the social function of rendering justice” (Blom) that we tend to take for granted, perhaps especially when we disagree with a particular verdict."

I agree, therefore, that Grotius celebrates the jurist and statesman as arbiter, the embodiment of the distinction between peace and war. The capacity to reconcile disputes through mechanisms of law is indeed “the social function of rendering justice” (Blom) that we tend to take for granted, perhaps especially when we disagree with a particular verdict. Several early essays of *The Federalist* echo this Grotian view, applied to domestic and international contexts. The lack of courts or executive offices under the Articles of Confederation meant that disputes among states – or, failure of the Confederation to abide by international law for lack of offices to enforce it – exposed Americans to the dilemma of either permitting injustice or having recourse to violence. In no. 22, Publius (Hamilton) argues that the lack of such capacity is effectively a state of war (see also no. 3, no. 15, and no. 17 – by Jay and Hamilton).

The sticking point is that Grotius employs prudence, and institutions of domestic law and in-

ternational convention, to mediate between high principle and concrete circumstances – but prudence is guided by the fixed truths discerned by right reason. In international affairs there are several institutions that statesmen, jurists, and educators use to close the gap between natural law and the practice of the law of nations, seeking to raise the latter toward the former. These include courts with jurisdiction under the law of nations, and jurists such as Grotius who educate statesmen and jurists about the laws of nature and nations. There is much “process” here, but I don’t see Grotius elevating process and consensus over the search for immutable truths that rest upon nature.

Liberty for individuals and states depends upon these immutable truths; and, the genius of constitutional regimes is to incorporate a Socratic openness to hear opposing views about what truth is and what it entails in particular circumstances. The defense of principles of liberty requires confidence that these are not just a product of contemporary construction, but are grounded in our nature. This is most especially true because we, or our fellow citizens, might be called upon to kill or be killed to defend these truths. The search for a Rawlsian “global public reason” may be one pillar upon which the Peace Palace in The Hague rests; but among the other pillars is the forcefulness of liberal states, leaders, and citizens to stand for these principles against actors who ignore or repudiate them. Grotius seeks to reduce war, but he also teaches that there come moments when the process of arbitration or deliberation can do no further good and actors must be confident that right reason and law endorse their actions to defend justice.

4. ADDITIONAL READING

Online Resources

- Hugo Grotius (1583-1645) - works by Grotius available online at the OLL: </people/3775>
- Hugo Grotius, *The Rights of War and Peace*, edited and with an Introduction by Richard Tuck, from the Edition by Jean Barbeyrac (Indianapolis: Liberty Fund, 2005). 3 vols. </titles/1877>.
- Grotius, "THE PRELIMINARY DISCOURSE Concerning the Certainty of Right in general; and the Design of this Work in particular".
- Hugo Grotius, *Commentary on the Law of Prize and Booty*, ed. and with an Introduction by Martine Julia van Ittersum (Indianapolis: Liberty Fund, 2006). </titles/1718>.
- Collection: Natural Law and Enlightenment Series </groups/59>.

Works Mentioned in the Discussion

- De Araujo, Marcelo. "Hugo Grotius, Contractualism, and the Concept of Private Property: An Institutional Interpretation," *History of Philosophy Quarterly*, vol. 26 (2009): 353.
- Hans W. Blom, "The Meaning of Trust: Fides between self-interest and appetitus societatis," in *The Roots of International Law / Les fondements du droit international: Liber Amicorum Peter Haggenmacher*, Studies in the History of International Law 11/5, ed. by Vincent Chetail. Leiden: Brill, 2013, pp. 39-58.
- John Cairns and Gustaaf van Nifterik in *Grotiana* vol. 22/23, 2001-2002, pp. 197-244.
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9. AURELIAN CRAIUTU, “TOCQUEVILLE’S NEW SCIENCE OF POLITICS REVISITED” (MAY, 2014)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty during the month of May, 2014. The online version of the discussion can be found at <<http://oll.libertyfund.org/pages/tocqueville-s-new-science-of-politics>> and ebook versions at <oll.libertyfund.org/titles/2516>.

Summary

Aurelian Craiutu argues that Tocqueville was not just an observer of democracy in America but also a theorist of democracy who wanted to create “a new science of politics” suitable to the new world which was beginning to take shape at that time. Craiutu points out four dimensions of Tocqueville’s new science of politics that might help us better understand his thinking. The first is that Tocqueville’s new science of politics is fundamentally cross-disciplinary, at the intersection of political science, sociology, anthropology, history, and philosophy. He then goes on to discuss the other dimensions such as its comparative, normative, and political dimensions. He concludes that his works must therefore be seen as belonging to a larger French tradition of political engagement and political rhetoric in which the writer enters into a subtle and complex pedagogical relationship with his audience, seeking to convince and inspire his readers to political action. This thesis is discussed by Daniel J. Mahoney of Assumption College, Filippo Sabetti of McGill University, and Jeremy R. Jennings of King’s College London.

The Debate

The online discussion consists of the following parts:

1. **Lead Essay:** Aurelian Craiutu, "Tocqueville’s New Science of Politics Revisited: A Few Lessons for Contemporary Political Scientists" [Posted: May 1, 2014]

2. Responses and Critiques:

1. Filippo Sabetti, "What Kind of “New Political Science”?" [Posted: May 5, 2014]
2. Jeremy Jennings, "And Yet This Book Is Still Read" [Posted: May 7, 2014]
3. Daniel J. Mahoney, "Wisdom, Human Nature, and Political Science" [Posted: May 9, 2014]

3. The Conversation:

1. Filippo Sabetti, "Tocqueville’s Unmet Challenge" [Posted: May 13, 2014]
2. Aurelian Craiutu, "An Excellent Work" [Posted: May 15, 2014]
3. Daniel J. Mahoney, "A Conservative Liberal" [Posted: May 19, 2014]
4. Aurelian Craiutu, "Was Tocqueville Right about Decentralization" [Posted: May 19, 2014]
5. Filippo Sabetti, "What Kind of Liberal?" [Posted: May 19, 2014]
6. Aurelian Craiutu, "Beyond Labels" [Posted: May 27, 2014]
7. Daniel J. Mahoney, "Imperfect Labels" [Posted: May 27, 2014]
8. Filippo Sabetti, "Can Tocqueville Answer Piketty?" [Posted: May 27, 2014]
9. Filippo Sabetti, "Tocqueville and Equality" [Posted: May 28, 2014]
10. Aurelian Craiutu, "Mobility versus Inequality" [Posted: May 29, 2014]
11. Aurelian Craiutu, "Le sentiment de l’égalité" [Posted: May 30, 2014]
12. Daniel J. Mahoney, "Mobility Counts" [Posted: May 30, 2014]
13. Jeremy Jennings, "Tocqueville’s Balancing Act" [Posted: June 2, 2014]

14. Aurelian Craiutu, "Tocqueville Himself on American Equality" [Posted: June 2, 2014]

About the Authors

Aurelian Craiutu (Ph.D. Princeton, 1999) is professor in the department of political science at Indiana University, Bloomington, and adjunct professor in the American Studies Program. He is also affiliated with the Russian and East European Institute, The WEST European Studies Institute, and the Workshop in Political Theory and Policy Analysis. Prior to coming to Indiana, he taught at Duke University and the University of Northern Iowa. In 2010 he was Visiting Professor at the University of Paris-II, Panthéon-Assas. Craiutu's research interests include French political and social thought (Montesquieu, Tocqueville, Constant, Madame de Staël, Guizot, Aron), political ideologies (liberalism, conservatism), as well as theories of transition to democracy and democratic consolidation (mostly Central and Eastern Europe). He is the author and editor of several books on modern political thought. His first monograph, *Liberalism under Siege: The Political Thought of the French Doctrinaires* (Rowman & Littlefield/Lexington Books, 2003), won a 2004 CHOICE Outstanding Academic Title Award. It was also translated into French in a revised and enlarged edition as *Le centre introuvable: la pensée politique des doctrinaires sous la Restauration* (Plon, 2006). His most recent book is *A Virtue for Courageous Minds: Moderation in French Political Thought, 1748-1830* (Princeton University Press, 2012). Dr. Craiutu also published two books in Romanian, *In Praise of Liberty: Essays in Political Philosophy* (1998), and *In Praise of Moderation* (2006), both with Polirom Publishing House. He has also edited five books: François Guizot, *History of the Origins of Representative Government in Europe* (Liberty Fund, 2002); Germaine de Staël, *Considerations on the Principal Events of the French Revolution* (Liberty Fund, 2008); *America through European Eyes* (co-edited with Jeffrey C. Isaac, Penn State University Press, 2009); *Conversations with Tocqueville* (co-edited with Sheldon Gellar, Lexington Books, Rowman & Littlefield, 2009); and *Tocqueville on America after 1840: Letters and Other Writings* (with Jeremy Jennings, Cambridge University Press, 2009).

Jeremy R. Jennings is Professor of Political Theory at King's College London. Having received his

doctorate from the University of Oxford, Jeremy taught at the University of Swansea (1979-1995), the University of Birmingham (1995-2005), and Queen Mary University of London (2005-2013). He served as Head of Department in Birmingham and at Queen Mary, was Vincent Wright Professor at the Fondation Nationale des Sciences Politiques in Paris in 2006 and was also a visiting fellow at the University of Columbia Research Centre in Paris. Jeremy holds a visiting professorship with the Fondation Nationale des Sciences Politiques. Jeremy's research focuses upon the history of political thought in France. In 2011 he published *Revolution and the Republic: A History of Political Thought in France since the Eighteenth Century* (Oxford University Press). This book won the Franco-British Society's Enid McLeod book prize. He has also co-edited *Tocqueville on America after 1840* (Cambridge University Press) and edited Destutt de Tracy's *A Treatise on Political Economy* (Liberty Fund). He is currently working on a book entitled *Travels with Tocqueville*. He writes regularly for the monthly magazine *Standpoint* (for which he also sits on the executive board). A larger, long-term project is to write a history of the concept of liberty.

Daniel J. Mahoney holds the Augustine Chair in Distinguished Scholarship at Assumption College in Worcester, MA. The author or editor of a dozen books, he has written extensively on Tocqueville and French political thought. He is also widely recognized as an authority on Raymond Aron and Aleksandr Solzhenitsyn. His articles and reviews have appeared in *National Interest*, *The Public Interest*, *First Things*, *New Criterion*, *Commentaire*, *The Claremont Review of Books*, *National Review*, *Perspectives on Political Science*, *The Wall Street Journal* and many other journals.

Filippo Sabetti is a professor in the Department of Political Science at McGill University and a senior research fellow at the Vincent and Elinor Ostrom Workshop in Political Theory and Policy Analysis, Indiana University. He works on a range of issues across the subfields of Canadian politics, comparative politics and political theory aiming to uncover the mechanisms that enable social cooperation to emerge among individuals and to show why centralization need not be an inevitable tendency of democracy. His most recent study, *Civilization and Self-Government: The Political Thought of Carlo Cattaneo* (2010), reveals why the 19th-century pioneering analysis of Carlo Cattaneo merits a place, alongside John Stuart Mill and Alexis de Tocqueville,

in the continuing debate about the meaning of civilization, liberty, and self-government. Thanks to a three-year research grant from the Social Science and Humanities Research Council of Canada, Sabetti is now extending that inquiry to the mechanisms of self-governance, organizational innovation, and wealth creation of the past to improve the future.

1. LEAD ESSAY: AURELIAN CRAIUTU, "TOCQUEVILLE'S NEW SCIENCE OF POLITICS REVISITED: A FEW LESSONS FOR CONTEMPORARY POLITICAL SCIENTISTS"

"A new political science is needed for a world entirely new." [1]

In 1840, soon after the publication of volume two of *Democracy in America*, John Stuart Mill wrote a letter to Alexis de Tocqueville in which he expressed his strong admiration for the new book. "You have accomplished a great achievement," Mill wrote, "you have changed the face of political philosophy, you have carried on the discussions respecting the tendencies of modern society ... into a region both of height and of depth, which no one before you had entered, and all previous argumentation and speculation in such matters appears but as child's play now." [2] At that time, Mill's words might have appeared as an exaggeration (and Tocqueville's fame, to be sure, declined for a long time after his death), but with the benefit of hindsight, it is now evident that Mill hardly overstated his point and his praise was entirely justified.

Over the past century or so, Tocqueville's writings have proved to be a rich source of inspiration for political scientists, sociologists, philosophers, legal scholars, and historians alike. Only in the last two decades a high number of new interpretations of Tocqueville's works have appeared in both French and English, shedding fresh light on lesser-known facets of Tocqueville's persona: the philosopher, the moralist, the writer, the politician and the defender of French colonization of Algeria.[3] In 2005 the bicentenary of his birth was widely celebrated on four continents, thus showing that Tocqueville's works have achieved a truly universal appeal transcending national or continental boundaries. In this regard, no one could rival his star status with the possible exception of Marx, whose reputation declined, however, abruptly in 1989-91 with the fall of communism in Eastern Europe and Russia. Perhaps even more importantly, Tocqueville's ideas have been creatively appropriated and respected by thinkers on both the Left and the Right, which is uncommon in academia and beyond. The first admire Tocqueville for

his perceptive thoughts about equality, democratic citizenship, and the art of association, while the latter praise his defense of religion, decentralization, and self-government along with his skepticism toward big government.

In spite of all this, Tocqueville defies our black-and-white categories and generalizations and his writings still pose significant challenges to his interpreters. What were his "true" beliefs? Are the two volumes of *Democracy in America* parts of the same conceptual project, or are they different books? What was the relation between Tocqueville's theoretical project and his political life? Did he really understand America, or was he only interested in France?

The difficulty of answering these questions can be explained in light of Tocqueville's highly ambitious intellectual and political agenda. By writing *Democracy in America*, he did not seek to produce a mere travelogue; nor was his intention to offer a comprehensive analysis of the American democracy and its political system. True, he was fascinated by what he discovered in the New World but, as he himself acknowledged, in America he saw "much more than America": he grasped the image of the new democracy itself, with its virtues, inclinations, habits, excesses, and promises. [4] His was a book primarily about *democracy*, and America was only a case-study. Tocqueville offered pertinent answers to dilemmas that transcend temporal and geographical boundaries and apply not only to America but also to Europe and other parts of the world.

On a deeper level Tocqueville had another highly ambitious goal when writing *Democracy in America*. He aspired to create, in his own words, "a new science of politics" suitable to the new world which was beginning to take shape at that time. But what did he actually mean by this? According to Sheldon Wolin, for example, Tocqueville's model was "not that of the scientist but that of the painter" and his theoretical method should be described as a form of "political impressionism" [5] based on ideal types, strong impressions, vast panoramas, and powerful insights. Yet Tocqueville himself seems to have had a different view on this topic and did not behave like an impressionist painter when it came to thinking about politics. In both his *Recollections* and *The Old Regime and the Revolution*, he criticized, in fact, the "literary" (i.e., impressionistic) style of politics of his predecessors (and contemporaries) who

looked for what was ingenuous and new rather than what was appropriate to their particular situations. [6]

The best expression of Tocqueville's conception of his "new" political science can be found in an important (and generally overlooked) speech he gave in April 1852 at the Academy of Moral and Political Science in Paris. In this speech he distinguished between the *art* of government and the *science* of government and suggested that he had virtually nothing to do with the first. The art of government follows the ever-changing flux of political phenomena and addresses daily challenges posed by events and changing political circumstances. [7] The true science of government, argued Tocqueville, is different. Covering the spaces between philosophy, sociology, and law, it seeks to highlight the natural rights of individuals, the laws appropriate to different societies, and the virtues and limitations of various forms of government. It is grounded not in fleeting circumstances but in "the nature of man, his interests, faculties, and needs and teaches what are the laws most appropriate to the general and permanent condition of man." [8] As such, it never reduces politics to a mere question of arithmetic or logic; nor does it attempt to build an imaginary (or utopian) society in which everything is simple, orderly, uniform, and in accord with reason.

In what follows I would like to point out four major dimensions of Tocqueville's new science of politics that might help us better understand the differences between his views and our conception of political science today. The first thing worth mentioning here is that Tocqueville's new science of politics is fundamentally *cross-disciplinary*, at the intersection of political science, sociology, anthropology, history, and philosophy. As "the first anthropologist of modern equality," [9] he addressed important and diverse topics that are rarely treated in one single book or field today: civil society, pluralism, religion, centralization, participatory democracy, democratic mind, and the limits of affluence, to name just a few. His writings analyzing the great democratic revolution unfolding under his own eyes also shed light on the privatization of social life, the tendency to social anomie, the development of individualism, skepticism and relativism, the softening of mores, and the rise of the middle class. Such breadth can no longer be expected (or found) in the writings of contemporary political scientists who must focus on a nar-

rowly defined set of dependent and independent variables.

The second aspect that accounts for the originality of Tocqueville's new science of politics and singles it out among his peers is its *comparative* dimension. [10] The comparative method is at the heart of not only *Democracy in America* but also of *The Old Regime and the Revolution*. [11] Tocqueville offered a new way of analyzing social and political phenomena in comparative perspective (America-France, New World-Old World, England-France, France-Islam), which was based on ideal types (democracy-aristocracy, liberty-equality) that went beyond the method used by most of his contemporaries. [12] It is known that he came to America with several ideas about the nature and the direction of modern society that he had already acquired in part by attending Guizot's lectures on the history of the European and French civilization. [13] But Tocqueville remained open to new experiences, and America provided him with several unexpected lessons that influenced his thinking and made him explore new vistas. By viewing in America the shape of the democracy of the future, he was in a better position to grasp what had to be done in France in order to put an end to the cycle of revolutionary turmoil that had plagued the country for almost half a century. While Tocqueville's book allows us to understand the American exception, it also explains for us (as it did for his contemporaries) the deep roots of *le mal français* and the difficulty of reforming French society in the aftermath of the turbulent French Revolution. Again, this is due in large part to his comparative method and ideal types, which he used with great dexterity to illuminate the universality of the democratic revolution beyond national or continental borders.

Third is the *normative* dimension of Tocqueville's new science of politics. This, I argue, must be understood against the larger background of what we may call, in the absence of a better term, his "philosophical" views. (He never had too much trust in pure philosophy.) Tocqueville sought to understand how democracy changes the human condition and modifies the ways in which people think, speak, dream, relate to each other, and work in modern society. That is why, as Pierre Manent showed in a classic study originally published three decades ago, Tocqueville should (also) be studied as a normative political philosopher, endowed with a true Pascalian sensibility. [14] He did not write

Democracy in America and *The Old Regime and the Revolution* in order to contribute to a purely scholarly debate. A moralist in the great French tradition, [15] he was an intellectual and politician whose ambition was to participate in the education for liberty of democratic citizens (beginning with the French ones). As such, he was concerned with the chances of survival of a genuinely democratic regime in a society in which the majority of individuals only want to get rich and are ready to abandon public affairs for the pursuit of their narrow private interests. Tocqueville entertained a lofty view of the task of political philosophers and legislators in modern societies. Their mission, he wrote, is to propose and promote a new civic spirit, in other words, “to educate democracy—if possible, to revive its beliefs; to purify its mores; to regulate its impulses; to substitute, little by little, knowledge of affairs for inexperience and understanding of true interests for blind instincts.” [16]

Tocqueville’s status as a *political philosopher* has not always been properly understood. Many anthologies of political thought still do not include *Democracy in America*, and he is often missing from introductory courses into political theory in which the obvious candidates are always Plato, Aristotle, Machiavelli, Hobbes, Locke, Rousseau, Marx, and Mill. Manent has explained Tocqueville’s recent addition to the French *Agrégation de philosophie* on the grounds that his striking models, often likened to sociological ideal types, are in fact better understood as broad anthropological types that remain linked to the language in which politics was first articulated in ancient Greece. On this reading, Tocqueville can be understood to have reintroduced a tension between democratic justice and greatness that goes as far back as Plato and Aristotle. Another emphasis on the philosophical side of Tocqueville (from a postmodern viewpoint this time) can be found in Wolin’s *Tocqueville between Two Worlds*, which used Tocqueville to analyze the “many forms of postmodern political predicament.” [17] In spite of their ideological differences, both Manent and Wolin see Tocqueville as caught between the competing values of democratic justice, “greatness,” and “the political” as possibilities of modern life. They read Tocqueville in dialogue with the early modern philosophical tradition encompassing Machiavelli, Descartes, Montesquieu, Hobbes, Locke, and Rousseau.

Fourth, I should like to underscore the *political* dimension of Tocqueville’s new science of politics. Never

losing sight of France, he wrote the book mostly for his fellow countrymen who, given the tragic experience of the Terror, tended to equate democracy and anarchy and did not view with confidence the principle of popular sovereignty. He wanted to convince them that they could (and should) embrace political democracy and that the latter could be properly moderated, educated, and purified of its excesses and anarchical tendencies. This was the goal of *Democracy in America*, a book in which he articulated, between the lines, a political program for the French and proposed concrete remedies for democratic ills. As James Schleifer duly noted, “We need always to remember that what Tocqueville said about the America republic is largely in response to his French audience. He had both positive and negative views of America, but in his *Democracy* he chose to highlight the positive; he wanted to counter French fears and blunt the usual criticisms of democracy.” [18]

It is then all the more surprising to note that this political dimension of Tocqueville’s work has often been under appreciated. He had a strong passion for political action—“I have always placed action above everything else,” [19] he once confessed to his friend, Louis de Kergolay—and played an important role in the politics of his country. He spent almost 12 years in politics and was, for a short period in 1849, minister of foreign affairs under the Second Republic. As Eduardo Nolla reminded us, “For Tocqueville, reflection joined to practice constitutes the nature of what he calls his political science.” [20] His works must therefore be seen as belonging to a larger French tradition of political engagement and political rhetoric in which the writer enters into a subtle and complex pedagogical relationship with his audience, seeking to convince and inspire his readers to political action. [21]

In the end, I would like to propose a small thought experiment. Suppose that Tocqueville were to submit *Democracy in America* as a doctoral dissertation to the faculty of a political science department at a top research university. Would those of our colleagues who stress the importance of statistical and quantitative skills be willing to give him a pass, given his imprecise use of the concept of democracy, his unique style of explanation that made him prone to contradict himself, and his many omissions (political parties, industrial revolution, etc.) from his analysis? Would they accept the work of someone who rarely acknowledged his sources, asked his readers to take him at his word [22]

and openly recognized: “I give myself over to the natural movement of my ideas, allowing myself to be led in good faith from one consequence to another. The result is that, as long as the work is not finished, I do not know exactly where I am going and if I will ever arrive”? [23] Would our fellow political scientists accept the moralist side of Tocqueville, who claimed in the introduction to his masterpiece that he strives to see “farther” than all the parties of his day and that, “while they are concerned with the next day, [he] wanted to think about the future”? [24] And would the more philosophically inclined ones forgive Tocqueville for introducing the term “justice” (in the eyes of God!) only in the very last chapter of his two-volume work on democracy?

These questions seem (almost) rhetorical. Although Tocqueville was among the first to do serious “field-work,” many of our fellow political scientists (including theorists) would probably criticize him for being hopelessly confused, lacking a clear “dependent variable,” and working with (far) too many meanings of his main concept (democracy), thus creating unacceptable confusion and tensions in his arguments. To be sure, in *Democracy in America*, the term “democracy” designates many different things: a revolution dating back to the 12th century, an unstoppable and irreversible movement willed by God, the equalization of conditions, a democratic social condition, popular sovereignty, rule by the majority, the reign of the middle class, democratic republic, representative government, and a way of life. How all these meanings relate to one another is by no means entirely clear. Some argued, in fact, that Tocqueville got America “wrong” [25] because he worked with a flawed method that made him perceive only what suited his ideological biases and intellectual inclinations. For others, many of Tocqueville’s conclusions were the outcome of unwarranted generalizations and impressionistic observations, hardly based on facts. Still others complain that Tocqueville was *not* a systematic thinker and believe that he failed to provide a rigorous political science. In Jon Elster’s view, for example, Tocqueville’s masterpiece (and especially its second volume) has a “hugely incoherent structure” [26] and is marred by “constant ambiguity, vagueness of language, tendency to speculative flights of fancy, and self-contradictions.” [27] Who would then give a pass to such a poor social scientist whose many academic sins far outweigh his few intellectual virtues?

I have had a chance to address these critics elsewhere, [28] and here I should like to point out only two things. The first is Tocqueville’s inclination to avoid one-sided definitions of his main concepts, beginning with democracy, continuing with equality, and ending with liberty. He refrained from using an ideological [29] approach to democracy—*Democracy in America* is hardly a clear-cut indictment of modern democracy, even if it is not an unqualified endorsement either—at the same time that he avoided offering a purely technical definition of this key concept. As Schleifer demonstrated in his classic study, [30] one can find over 10 meanings of the word “democracy” in Tocqueville’s book. His alleged lack of precision in defining democracy and identifying the prerequisites of democracy along with the fundamental distinction between democracy as a form of society (*état social*) and a form of government was a self-conscious strategy on his part, as is evident from reading the drafts and notes in the Liberty Fund critical edition of his work. Anyone who reads them will see Tocqueville engaging in a fascinating dialogue with himself, as well as with his father Hervé, his brother Édouard, and his friends Gustave de Beaumont and Louis de Kergorlay. Tocqueville constantly drafts outlines and writing strategies and carefully considers his choices of words, reflecting upon the proper definitions of his key concepts. It is therefore impossible not to conclude that the vagueness which Elster and others dislike so much was a highly *calculated* strategy on Tocqueville’s part, and that, in Schleifer’s words, “Tocqueville’s very failure precisely to define *démocratie* accounts, in part, for the brilliance of his observations.” [31]

The second point is that Tocqueville’s new science of politics rejected rigid and one-dimensional accounts of history and politics and never lost hope in the future of freedom, although toward the end of his life he came to espouse a darker view of his own country (and even of democracy in America). [32] His anti-positivist science of politics went against all forms of historical determinism threatening to rob individual human beings of their freedom and capacity for autonomous choice and action. As an important passage from his *Recollections* shows, he detested “those absolute systems, which represent all the events in history as depending upon great first causes linked by the chain of fatality, and which, as it were, suppress men from the history of the human race. They seem narrow under their pre-

tense of broadness, and false beneath their air of mathematical exactness.” [33] Many political events, he believed, could not be accounted for by theories pretending to explain or foresee with precision the development of societies. “Men,” Tocqueville wrote, “grasp fragments of truth, but never truth itself.” [34] As a follower of Montesquieu, Tocqueville recognized that all societies are diverse and pluralistic, being influenced in many ways by their history, physical environment, culture, and laws. [35] He believed that in order to adequately explain social and political phenomena, an open and flexible method is required, one that does not lead to reductionist and one-dimensional theories of social and political change and does not use an unduly sophisticated vocabulary. That is why Tocqueville would have been surprised to hear that his work illuminates, as Elster argued, free-rider obstacles to collective action, the implications of “pluralistic ignorance,” and “spillover,” “compensation,” and “satiation” effects and mechanisms. Tocqueville’s analysis of the virtues and limitations of democracy was alien to such a mechanistic and simplistic way of thinking.

To conclude, I fear that Tocqueville’s work might have not passed a final hypothetical doctoral defense in which he would have been expected to use the language and methods of “rigorous” contemporary political science. At best, I surmise, he would have been given a “revise and resubmit”; most likely, his work would have been found defective on (too) many accounts. To his critics, Tocqueville would probably have repeated what he had written to his English translator, Henry Reeve in 1837: “Independently of the serious interest I take in the opinions others may hold of me, it delights me to see the different features that are given to me according to the political passions of the person who cites me. It is a collection of portraits that I like to assemble. To the present day, I have not yet found one of them that completely looked like me. They absolutely want to make me a party man and I am not in the least; they assign me passions and I have only opinions, or rather I have only one passion, the love of liberty and human dignity.” [36] His anti-positivist new science of politics reflects his openness and strong attachment to moderation in the pursuit of liberty and dignity.

End Notes

[1.] Alexis de Tocqueville, *Democracy in America*, four-volume bilingual critical edition, ed. Eduardo Nolla, trans. James T. Schleifer (Indianapolis: Liberty Fund, 2010), I, 16. All subsequent references are to this edition.

[2.] From Mill’s letter of May 11, 1840 in published in Tocqueville, *Œuvres Complètes, VI: 1. Correspondance d’Alexis de Tocqueville avec Henry Reeve et John Stuart Mill*, eds. J.-P. Mayer and Gustave Rudler (Paris: Gallimard, 1954), 328.

[3.] Five new English translations of *Democracy in America* have been published in the last two decades by Stephen D. Grant (Indianapolis: Hackett, 2000), Delba Winthrop and Harvey C. Mansfield (Chicago: University of Chicago Press, 2001), Gerald E. Bevan (London: Penguin, 2003), Arthur Goldhammer (New York: The Library of America, 2004), and the Nolla-Schleifer critical edition published by Liberty Fund (Indianapolis, 2010). At the same time, two new translations of *The Old Regime and the Revolution* came out. The first one was made by Alan Kahan (Chicago: University of Chicago Press, 1998 and 2001), while the second one was by Arthur Goldhammer (Cambridge: Cambridge University Press, 2012). For an overview of recent works on Tocqueville, see Cheryl Welch, “Introduction: Tocqueville in the Twenty First Century,” in *The Cambridge Companion to Tocqueville*, ed. Cheryl B. Welch (Cambridge: Cambridge University Press, 2006), 1-20; *The Tocqueville Review/La Revue Tocqueville*, XXVII: 2 (2006).

[4.] Tocqueville, *Democracy in America*, I, 28.

[5.] Sheldon Wolin, *Tocqueville between Two Worlds* (Princeton: Princeton University Press, 2001), 140. On Tocqueville’s new science of politics, see *ibid*, pp. 184-97 and Saguiv A. Hadari, *Theory in Practice: Tocqueville’s New Science of Politics* (Stanford: Stanford University Press, 1989).

[6.] Tocqueville, *Recollections*, trans. A. Teixeira de Mattos, ed. J.-P. Mayer (New York: Meridian Books, 1959), 67.

[7.] Tocqueville, *Œuvres Complètes, XVI: Mélanges*, ed. Françoise Mélonio (Paris: Gallimard, 1989), 230.

[8.] *Ibid*, 230. Also see 231-32.

[9.] *Ibid.*, 50.

[10.] The comparative dimension of Tocqueville's works is highlighted and examined by Seymour Drescher ("Tocqueville's Comparisons: Choices and Lessons") and Françoise Mélonio ("Tocqueville européen: la France et l'Allemagne"), both published in *The Tocqueville Review/La Revue Tocqueville*, XXVII: 2 (2006): 479-516 and 517-32.

[11.] See Alan Kahan, *Alexis de Tocqueville* (New York: Continuum, 2010), 61.

[12.] One exception is worth mentioning here: Tocqueville's best friend and travel companion, Gustave de Beaumont, also espoused a comparative method in his writings on America (*Marie ou l'esclavage aux États-Unis*) and Ireland. Beaumont commented on many drafts of *Democracy in America* and helped Tocqueville finish the latter.

[13.] I commented on this issue in Aurelian Craiutu "Tocqueville and the Political Thought of the French Doctrinaires," *History of Political Thought*, XX: 3 (1999): 456-93. Also see: Lucien Jaume, *Tocqueville: The Aristocratic Sources of Liberty* (Princeton: Princeton University Press, 2013), 249-318; and François Furet, "The Intellectual Origins of Tocqueville's Thought," *The Tocqueville Review / La Revue Tocqueville*, 7 (1985-86): 117-27.

[14.] Pierre Manent, *Tocqueville and the Nature of Democracy*, trans. John Waggoner (Lanham, MD: Rowman & Littlefield, 1996). The original French edition was published by Fayard in 1982.

[15.] This dimension is well highlighted in Jaume, *Tocqueville*, 145-92.

[16.] Tocqueville, *Democracy in America*, I, 16.

[17.] Wolin, *Tocqueville between Two Worlds*, 564.

[18.] James T. Schleifer, *The Chicago Companion to Tocqueville's Democracy in America* (Chicago: University Press of Chicago, 2012), 156.

[19.] Tocqueville's letter of October 4, 1837, in Alexis de Tocqueville, *Œuvres Complètes, XIII: 1 Correspondence avec Louis de Kergorlay*, ed. Jean-Alain Lesourd (Paris: Gallimard, 1977), 47.

[20.] Nolla, "Editor's Introduction," in Tocqueville, *Democracy in America*, I, cxxi.

[21.] Pierre Manent, "Tocqueville, Political Philosopher," in *The Cambridge Companion to Tocqueville*,

111; Laurence Guellec, "Tocqueville and Political Rhetoric," *ibid.*, 170. Also see Eduardo Nolla's "Editor's Introduction" in Tocqueville, *Democracy in America*, I, xlvi-cxlix.

[22.] Tocqueville, *Democracy in America*, I, 30.

[23.] From Tocqueville's letter to John Stuart Mill, in Tocqueville, *Œuvres Complètes, VI: 1*, 314.

[24.] Tocqueville, *Democracy in America*, I, 32.

[25.] Gary Wills, "Did Tocqueville 'Get' America?" *New York Review of Books*, April 29 (2004): 52-56.

[26.] Jon Elster, *Alexis de Tocqueville, the First Social Scientist* (Cambridge: Cambridge University Press, 2009), 1.

[27.] *Ibid.*, 2.

[28.] See Aurelian Craiutu, "What Kind of Social Scientist Was Tocqueville?" in *Conversations with Tocqueville: The Democratic Revolution in the Twenty-First Century*, eds. Aurelian Craiutu and Sheldon Gellar (Lanham, Md.: Lexington Books, Rowman & Littlefield, 2009), 55-81; and my review of Jon Elster's *Tocqueville* in a symposium on this book published in *Perspectives on Politics*, 9: 2 (2011): 363-68.

[29.] For example, Tocqueville does not regard democracy as a short-hand for universal bliss, a synonym for utopia, or a false religion.

[30.] James T. Schleifer, *The Making of Tocqueville's Democracy in America*, 2nd ed. (Indianapolis: Liberty Fund, 2000), 325-39; also see Jaume, *Tocqueville*, 15-94.

[31.] *Ibid.*, 339. Also see Schleifer, *The Chicago Companion to Tocqueville's Democracy in America*, 38-42.

[32.] See especially Tocqueville's correspondence with his American friends from 1853-59 in *Tocqueville on America after 1840: Letters and Other Writings*, eds. and trans. Aurelian Craiutu and Jeremy Jennings (Cambridge: Cambridge University Press, 2009), 142-308.

[33.] Tocqueville, *Recollections*, 64. On Tocqueville's method, see Raymond Boudon, "L'exigence de Tocqueville: la «science politique nouvelle»," in *The Tocqueville Review/La Revue Tocqueville*, XXVII: 2 (2006): 13-34.

[34.] Quoted in Nolla, "Editor's Introduction," cxxii.

[35.] This is what Sheldon Gellar calls Tocquevil-
lian analytics, borrowing this term from Vincent Ostrom. See Gellar, “Tocquevillian Analytics” in *Conversations with Tocqueville*, 33-54; also Vincent Ostrom, *The Meaning of Democracy and the Vulnerability of Democracies: A Response to Tocqueville’s Challenge* (Ann Arbor: The University of Michigan Press, 1997).

[36.] From Tocqueville’s letter to Henry Reeve (March 22, 1837) translated in Alexis de Tocqueville, *Selected Letters on Society and Politics*, ed. Roger Boesche, trans. Roger Boesche and James Toupin (Berkeley: University of California Press, 1985), 115-16.

2. RESPONSES AND CRITIQUES

1. Filippo Sabetti, "What Kind of "New Political Science"?" [Posted: May 5, 2014]

I welcome the opportunity to share with colleagues my reactions to Aurelian Craiutu's thoughtful and thought-provoking paper. Aurelian offers much learning and wisdom in a few pages. I am grateful that he reminds us of why we need to return to Tocqueville and how much we, modern political scientists, can learn from him about the human condition and the prospects of free and responsible individuals in the modern age. It is hard to take issue with what he says about Tocqueville's writings, and my comments are thus at the margin of Aurelian's stimulating reflections.

Aurelian is correct in reminding us of the important, if often overlooked, speech Tocqueville gave in April 1852 in which he distinguished between the art and science of government. But that does not mean that in Tocqueville's analysis of the two, art and science, each need always to go their separate ways. In fact, Aurelian himself draws attention to this point when he observes, in his discussion of the four major dimensions of Tocqueville's new science of politics, that Tocqueville's originality was in combining empirical and normative analysis -- in effect, combining art and science; for Tocqueville, Aurelian correctly notes, did not write *Democracy in America* and *The Old Regime and the French Revolution* just to contribute to a purely scholarly debate. Tocqueville also wished to promote a new civic spirit, to participate in the education of liberty of democratic citizens and to educate democracy itself.

Aurelian's thought experiment is a good one. My sense is that there are still quite a few places, Indiana University included, where Tocqueville's *Democracy in America*, if submitted as a doctoral dissertation, would still be accepted. Sheldon Wolin's and Jon Elster's views are not universally shared. Moreover, the very Liberty Fund bilingual edition of *Democracy in America*, with its extensive selection of early outlines, drafts, manuscript variants, correspondence, and other materials, provides unprecedented insight into the power of observation and method of inquiry and scholarship Tocqueville

displayed in his American voyage, and how much he engaged in a conversation with himself and with others. The notes and marginalia in the Liberty Fund edition of *Democracy* also confirm and reinforce what many careful readers of the work have pointed out -- Tocqueville's conscious effort to be descriptive, analytical, and philosophical all at once. [37]

We know now [38] the impact that Francois Guizot's lectures on civilization had on the formation of Tocqueville's mode of analysis. But, I would add, the notes of Tocqueville's travel to Sicily in 1827 reveal key elements that shaped Tocqueville's formidable apparatus of research [39] that allowed him to launch a political science appropriate to the new world of democracy. For the first time, I think, we see in his notes on Sicily features in Tocqueville's mode of analysis that emerge in full force and are uniquely conveyed in *Democracy in America*: his mental habits, skills of observation and conceptual apparatus, passion for comparison as the heart of clear thought and action in understanding human affairs, and composition of what he has seen and understood with concision and force, as well as a way of sharing with the reader a commentary on his own thoughts and writings. [40] In the notes he based the discussion of human behavior on a given society and not on some abstract conception of human nature, while emphasizing the importance of general ideas for making sense of what he found. Recurring themes in *Democracy* -- the physical conditions, the powerful force of nature, and the fragility of human civilization -- can be first observed in the Sicilian notes. In the essay "A Fortnight in the Wilderness," first written in 1831, Tocqueville recalled visiting the site in Sicily where the city of Imera had been built, noting that "never in our path had we encountered a more magnificent witness to the instability of things human and to the miseries of our nature." [41] Thus his voyage of discovery from Sicily to America was as much the discovery of new realities and relating them to his own country as it was the maturation of a mode of analysis that has given his work enduring quality.

Aurelian draws attention to the comparative dimension of Tocqueville's work. We need to keep in mind that Tocqueville was writing at the time when the nascent social science did not provide much help. In taking hold of the subject matter, he made a skillful use of "general ideas" [42] to launch "a new political science ... needed for a world entirely new." [43] This al-

lowed him to do several things: to go beyond the “apparent disorder prevailing on the surface,” to “examine the background of things,” [44] and to achieve and communicate understanding of the democratic revolution through the use of paired comparison. To be sure, he was not the first analyst to use that mode of analysis. What made his method of paired comparison exceptional for his, and our, own time was its animating spirit: he combined a passion to understand public affairs with a passion for liberty, and, concurrently, a deep concern that a misguided spirit of equality and republicanism in both American democracy and Western civilization posed a potential threat to individual liberty and self-government.

The framework of analysis that Tocqueville constructed for a new science of politics included multiple dimensions:

1. Large processes (aristocracy versus democracy; long-term developments toward social equality; the democratic revolution and democratic despotism; democracy versus civilization).
2. Country comparisons (America versus France; America versus England; Anglo-America versus New France Quebec and Latin America).
3. Different levels and foci of analysis (federalism versus centralized government and administration; political centralization versus decentralized administration; local liberties in unitary and federal systems; state government in federal systems versus provincial administration in systems of centralized government and administration; prospects for institutional reform and learning in federal versus unitary systems; contrast between American and European republicanism).
4. Micro-level analysis focusing on what motivates individuals to act and what shapes law and ethics, public opinion, including democratic despotism, in different political regimes (showing a fusion of concepts and ideas later dichotomized as republican and liberal discourse involving: human virtues and self-interest; priority of both individualism and collective life; individualism versus egoism; love of country and fraternity; democratic and aristocratic sentiments; sources of pride in self-government; and moderation in religion).

5. The art of association and the accompanying associational topography (permanent associations; political associations; civic associations; and private associations, without losing sight of the question of whether particular kinds of constitutional and institutional arrangements make a difference in promoting or hindering self-government and civic spirit).
6. The most fundamental “pairs in tension” may be the volumes of *Democracy* themselves: the first two volumes (of the Liberty Fund edition) focus on liberty and the institutions of self-government; volumes three and four on the soft despotism that Tocqueville saw as democracy’s drift, something that in his own time was already happening in France. Just as the French needed to appreciate how the Americans had developed quite a different system of republican institutions that offered the prospects of maintaining liberty under conditions of social and economic equality; so the Americans could look to France to understand the vulnerability of democracy to the administrative state and soft democratic despotism.

This way of proceeding allowed Tocqueville to dig below the “appearance of disorder, which reigns on the surface” of American society, [45] and contrast the government that administers the affairs of each locality (France) with one where the citizens do it for themselves. In comparing the two systems, he concluded that, “the collective strength of the citizens will always be more powerful for producing social well-being than the authority of the government.” [46] The American case demonstrated how it is possible for self-interest to work for the common good and to address issues of interpersonal relationship or the practice of civic virtues. [47] Whereas freedom and order were understood in Europe to be in conflict with one another, the American experience suggested that they could be put together to work for the common weal. This is a chief lesson that can be taken from *Democracy in America*. He went on to observe that, excepting the United States,

there is no country in the world where men make as many efforts to create social well-being. I know of no people who have managed to establish schools so numerous and so effective; churches more appropriate to the religious needs of the inhabitants; town roads better maintained. So in the United States, do not look

for uniformity and permanence of views, minute attention to details, perfection in administrative procedures. What is found there is the image of strength, a little wild, it is true, but full of power of life, accompanied by accidents, but also by activities and efforts. [48]

The American form of government founded on the principle of sovereignty of the people provided Tocqueville with an approach to politics that led him to question the entrenched view of the European state and to place in sharp relief the importance of federalism. Unlike the Europeans, Americans had successfully found a way to address the issue of power, not by decreasing it but rather by dividing it. And in an often cited passage, Tocqueville forcefully drew out the distinction, with clear comparative and evaluative dimensions:

What most strikes the European who travels across the United States is the absence of what among us we call government or administration. In America, you see written laws; you see their daily execution; everything is in motion around you, and the motor is nowhere to be seen. The hand that runs the social machine escapes at every moment. But just as all people, in order to express their thoughts, are obliged to resort to certain grammatical forms that constitute human languages, all societies, in order to continue to exist, are compelled to submit to a certain amount of authority; without it, they fall into anarchy. This authority can be distributed in different ways, but it must always be found somewhere. [49]

But Tocqueville did not stop there. As Aurelian notes, one of the great merits of *Democracy in America* is that it makes us understand how democracy itself changes the human condition not always for the good. Systems of centralized government and administration are not unique to particular European nations. They are very much part of the habits of democracy. Centralization is a universal tendency, “the natural government.” By contrast, “individual independence and local liberties will ever be the product of arts” [50] that can easily be brushed aside as people become intolerant of differences and acquire a misguided spirit of equality and republicanism. The vulnerability of democracy to forms of democratic despotism is real. This is so, Tocqueville warned, because

Men who live in democratic centuries do not easily understand the utility of forms: they feel an instinctive contempt for them.... Forms excite

their scorn and often their hatred. Since they usually aspire only to easy and present enjoyments, they throw themselves impetuously toward the object of their desires; the least delays lead them to despair. [51]

Tocqueville further explained,

This disadvantage that men of democracies find in forms is, however, what makes the latter so useful to liberty, their principal merit being to serve as a barrier between the strong and the weak, those who govern and the governed, to slow the first and to give the second the time for them to figure things out. Forms are more necessary as the sovereign power is more active and more powerful and as individuals become more indolent and more feeble. [52]

The political science that Tocqueville constructed for himself allowed him to anticipate the possibility that egalitarian envy might lead to centralization of authority in the American federal system as well. [53] Hence, he saw the need for the new political science to ask how liberty and institutions of self-government could be maintained to promote a society of free men and women. In his view, the threat to freedom posed by the natural tendencies of democracy toward despotism could be held in check in several ways: through the practice of interest well understood and tempered by religion; recourse to “a science of association” to take advantage of the “utility of forms”; and the design of self-governing institutions so as to maintain freedom under conditions of equality. This way the vulnerability of democracies might be held in check. [54]

Comparativists and methodologists alike remind us that paired comparison has its pitfalls. It does not follow, for example, that the observed variables will cover all the possible causes of particular outcomes. There may be other factors at work missed by the researcher. The fact remains that no method of analysis, no matter how good it may be, points to exactly what the researcher should study, or guarantees that it will be used properly, with both internal and external validity. Against this backdrop, it is no surprise that even some sympathetic readers have drawn attention to facts that possibly Tocqueville overlooked. [55] The criticism seems overdrawn -- when we consider that researchers today have not yet found ways to insure reliability in the practice of empirical research -- and misguided, as noted earlier, when ranged against what Tocqueville wrote in the first version of the drafts and that he did

not say everything he had found but only those facts that shed light on his main concern. Indeed, one of the unique features of the bilingual edition of *Democracy* is that it brings to light the truly massive scholarship and care behind the work. Indeed, for this reason, it is hard not to marvel at the manner in which Tocqueville used paired comparison as an analytical leverage to make several discoveries, to emphasize what was distinctive and universal about the political dynamics in the United States, and to gain institutional leverage for predicting differences in intra-systemic behavior.

In fine, I share Aurelian's analysis. The method of analysis that Tocqueville constructed for a new science of politics allowed him to generate findings about the American Republic that ran radically counter to the Jacobin way of understanding republicanism, and to give a hand to, and go beyond, the growing liberal traditions in France and the rest of Europe of his time. In taking hold of the American political experiment, Tocqueville truly showed a way "to study the future of the world." [56]

Endnotes

[37.] Roger Boesche, *Tocqueville's Road Map. Methodology, Liberalism, Revolution and Despotism* (Lanham, MD: Lexington Books, 2006), 2-26; Seymour Drescher, *Tocqueville and England* (Cambridge, MA: Harvard University Press, 1964), 26; Joseph Epstein, *Alexis de Tocqueville: Democracy's Guide* (New York: HarperCollins, 2006), 58; Andre Jardin, *Tocqueville. A Biography* (Baltimore: The Johns Hopkins University Press 1998), 67.

[38.] Thanks to Aurelian Craiutu, *Liberalism under Siege: The Political Thought of the French Doctrinaires* (Lanham, MD: Lexington Books, 2003), 92.

[39.] This point is powerfully brought out by Jeremy Jennings, in his review of the Liberty Fund edition of *Democracy in America*, "Origins of Democracy," *Times Literary Supplement*, October 8, 2010, 10-11.

[40.] See also Roger Boesche, *The Strange Liberalism of Alexis de Tocqueville* (Ithaca: Cornell University Press, 2006); Seymour Drescher, "Tocqueville's Comparative Perspective," in Susan B. Welch, ed., *The Cambridge Companion to Tocqueville* (New York: Cambridge University Press, 2006) 21-48; Epstein, *Alexis de Tocqueville*, 4, 41; Saguiv A. Hadari, *Theory and Practice: Tocqueville's New*

Science of Politics (Stanford: Stanford University Press, 1989); James T. Schleifer, "Tocqueville as Historian: Philosophy and Methodology in the *Democracy*," in A. S. Eisenstadt, ed., *Reconsidering Tocqueville's Democracy in America* (New Brunswick, NJ: Rutgers University Press, 1988), 121-38.

[41.] Tocqueville, *Democracy in America* IV, 1354.

[42.] *Ibid.*, III, 728-29.

[43.] *Ibid.*, I, 16.

[44.] *Ibid.*, I, 152.

[45.] *Ibid.*, I, 152.

[46.] *Ibid.*, I, 153.

[47.] *Ibid.*, III, pt. 2, chaps. 8-9.

[48.] *Ibid.*, I, 156-57.

[49.] *Ibid.*, I, 116.

[50.] *Ibid.*, IV, 1206.

[51.] *Ibid.*, IV, 1270.

[52.] *Ibid.*, IV, 1271.

[53.] *Ibid.*, IV, pt. 4, chaps. 6-7. Modern expressions of this concern can be found, among others, in Vincent Ostrom, *The Meaning of Democracy and the Vulnerability of Democracies: A Response to Tocqueville's Challenge* (Ann Arbor: The University of Michigan Press, 1997), and Paul A. Rahe, *Soft Despotism, Democracy's Drift: Montesquieu, Rousseau, Tocqueville and the Modern Prospect* (New Haven: Yale University Press, 2009).

[54.] This is also the major concern of Vincent Ostrom's analysis in his *The Meaning of Democracy and the Vulnerability of Democracies*.

[55.] See, among others, Hugh Brogan, *Alexis de Tocqueville* (New Haven: Yale University Press, 2006), 277-78; Epstein, *Alexis de Tocqueville*, 44; Francoise Melonio, *Tocqueville and the French* (Charlottesville: University of Virginia Press, 1998), 77, 147; Garry Willis, "Did Tocqueville 'Get' America?" *New York Review of Books*, April 19, 2004, 52-56. But cf. Aurelian Craiutu, "What Kind of Social Scientist was Tocqueville?" Department of Political Science, Indiana University, paper 2008; Schleifer, "Tocqueville as Historian: Philosophy and Methodology in the *Democracy*," 158-60; and Alan B. Spitzer, "Tocqueville's Modern Nationalism," *Society for the Study of French History* 2005, 48-66.

[56.] Catherine Zuckert, "The Role of Religion in Preserving American Liberty. Tocqueville's Analysis 150 Years Later." In E. Nolla, ed., *Liberty, Equality, Liberty* (New York: New York University Press, 1992), 21.

2. Jeremy Jennings, "And Yet This Book Is Still Read" [Posted: May 7, 2014]

Aurelian Craiutu's thoughts on Alexis de Tocqueville's new science of politics end with the intriguing thought experiment of how *Democracy in America* would have been received as a doctoral dissertation in a top research university. How, he invites us to reflect, might a group of today's distinguished political scientists armed with all manner of quantitative techniques and sophisticated methodologies respond to the work of a young and enthusiastic researcher recently returned from a 10-month research trip who manifestly managed to miss the compulsory course on research methods?

This is no idle question, as anyone who has presented a paper on Tocqueville before an audience of political scientists will be aware. I recently had this experience, although I should add that the very able political scientist who quizzed me was strongly of the view that, with a bit of effort, Tocqueville's ideas could be operationalized, and with considerable benefit. This, we agreed, was a project for the future.

However, and as Craiutu observes, Tocqueville would undoubtedly have been found wanting on a number of counts, a lack of conceptual clarity and insufficient empirical evidence being just two of them. Nevertheless, we should perhaps not be too hard on Tocqueville's imaginary examiners if this were the case, as it is well to remember that these very criticisms were made at the time of *Democracy in America's* publication.

For example, when Tocqueville's good friend Jean-Jacques Ampère visited America in the early 1850s, he recorded that Americans were almost universally agreed that, on one thing, Tocqueville had been mistaken: the possibility of a tyranny of the majority was unfounded. The most intriguing of Ampère's encounters, therefore, was with John C. Spencer, author of a preface to the first American edition of *Democracy in*

America. According to Spencer, the ever-changing nature of majority opinion ensured that no "lasting tyranny" could be established. Spencer himself attributed Tocqueville's error to the peculiar political circumstances pertaining during his stay: namely, the support of the overwhelming majority for President Andrew Jackson's populist measures, which might have given the impression that the minority was "crushed" and without the power to protect itself, but it was nevertheless an error.[57] Another of Tocqueville's American acquaintances, Jared Sparks, was more damning. In a letter to Professor William Smyth, of Cambridge, England, dated October 14, 1841, Sparks wrote that, on the subject of the tyranny of the majority, Tocqueville's

imagination leads him far astray. In practice we perceive no such consequences as he supposes. If the majority were large and always consisted of the same individuals, such a thing might be possible; but with us, as in all free governments, parties are nearly equal, and the elections are so frequent that a man who is in the majority at one time is likely to find himself in the minority a few months afterwards. What inducement has a majority thus constituted to be oppressive? Moreover, M. de Tocqueville often confounds the majority with public opinion, which has the same tendency, or nearly so, in all civilized countries, whatever may be the form of government.... He is apt to theorize. [58]

The eminent jurist Joseph Story was even less generous. The "main body of his materials," he wrote to Francis Lieber, had been taken by Tocqueville from the Federalist and Story's own *Commentaries on the Constitution*. You, Story told the German, "know ten times as much as he does of the actual workings of our system and its true theory." [59] The charge that Tocqueville had been unduly influenced by Federalist opinion in Boston was not one that was to go away.[60]

The fact of the matter, then, is that, both at the time of its publication and since, there has been a steady stream of criticism claiming that central aspects of Tocqueville's analysis were flawed. The amount of time he spent in America was too brief. He never managed to escape his own aristocratic prejudices. He knew nothing about economics and showed no interest in America's burgeoning commercial economy. Philosophically he was a complete mess and couldn't get religion out of his head. He wasn't really interested in

America and only wrote his book because he wanted to make a name for himself.

One wonders how many a doctoral candidate has suffered similar criticism from his or her examiners. How might the young Alexis de Tocqueville have responded?

First of all, he might have replied to his examiners that they had misunderstood what he was trying to achieve. Mine, he would have told them (as he told Gustave de Beaumont), is a “philosophical-political work.”[61] I fully accept that the development of industry and of new modes of transport will transform America but that is not the most important thing that is going on. As my notes show, the most important thing we can learn from America is something about “the gradual development of democracy in the Christian world.”[62] That is why I didn’t visit the town of Lowell, Massachusetts, like every other French political scientist who carries out research in America. Yes, it’s true that I do not know enough about the slave states of the South and that my visit was of too short a duration – a minimum stay of two years would be required to prepare “a complete and accurate picture” of the whole country[63] – but it is not true that I learned nothing while I was there. I admit that I reached certain conclusions quickly – about the impact of inheritance laws in America, for example – and that I was perhaps too ready to accept the views of certain distinguished academics I met. But while there my research associate and I were “the world’s most merciless questioners.”[64] We were constantly “striving for the acquisition of useful knowledge”[65] and turned ourselves into veritable “examining machines.”[66] I believed that, upon my return, “I might write something passable on the United States” and that, knowing more about America than is generally known in France, I might be able to say something of “great interest.”[67] The guiding hypothesis was that, beyond a legitimate curiosity in things American, one could “find lessons there from which we would be able to profit.”[68]

Like Aurelian Craiutu, I have the distinct feeling that the young Tocqueville would not have satisfied his earnest inquisitors, but we, for our part, might be prepared to concede that Tocqueville displayed a level of methodological self-awareness and sophistication that was unusual for the age and certainly unusual for the subject matter. In the printed text of *Democracy in Ameri-*

ca and his notes, Tocqueville acknowledged that both he and his book could be criticized. Anyone, he recognized, determined “to contrast an isolated fact to the whole of the facts I cite, a detached idea to the whole of the ideas” could do this with “ease.” [69] Yet he remained adamant that he had “never yielded, except unknowingly, to the need to adapt facts to ideas, instead of subjecting ideas to facts.”[70] To this disclaimer he added a clear statement of his method. “When a point could be established with the help of written documents,” Tocqueville explained, “I have taken care to turn to original texts and to the most authentic and respected works. I have indicated my sources in notes, and everyone will be able to verify them. When it was a matter of opinions, of political customs, of observations of mores, I sought to consult the most enlightened men. If something happened to be important or doubtful, I was not content with one witness, but decided only on the basis of the body of testimonies.”[71] To an extent, Tocqueville conceded, this had to be taken on trust, as too it needed not to be forgotten that “the author who wants to make himself understood is obliged to push each of his ideas to all of their theoretical consequences, and often to the limits of what is false and impractical.”[72]

Tocqueville therefore, and not without some justification, made a plea for generosity on the part of the reader. “I would like you,” he remarked, “to grant me the favour of reading me with the same spirit that presided over my work, and would like you to judge this book by the general impression that it leaves, as I myself came to a decision, not due to a particular reason but due to a mass of reasons.”[73] In his unpublished notes he added the following remark: “To whoever will do that and then does not agree with me, I am ready to submit. For if I am sure of having sincerely sought the truth, I am far from considering myself as certain to have found it,”[74] Tocqueville’s modesty in this and (as we have seen) with regard to other elements of his inquiry on America seems frequently to have been overlooked by his critics.

So what would follow from Tocqueville’s hypothetical doctoral defence and his examiners’ decision to allow him to revise and resubmit? My guess is that Tocqueville might have concluded that he got his strategy all wrong and that it would have been much wiser to have submitted a dissertation devoted to the American penitentiary system. Here, after all, was a subject

that would appeal to policy analysts and possibly even to government (especially as it recommended a policy that might save money), where there was plenty of readily available empirical evidence and plenty of people only too pleased to respond to a well-crafted questionnaire and to be interviewed. All it would require would be a few prison visits in America and France and a few months of serious reading. Nicely edited with plenty of notes and appendices -- and such a thesis might even win a prestigious prize!

This of course is exactly what happened to Tocqueville and Beaumont's *Le Système Pénitentiaire aux États-Unis et son application en France*.^[75] Praised for its impartiality and solid documentation, it duly won the Prix Monthyon awarded by the Académie des Sciences morales et politiques. Yet who now reads it?

In contrast, and despite myths to the contrary, *Democracy in America* has always been read and continues to be read. This is not to suggest that the principles of Tocqueville's "new political science" for a "world entirely new" are as clear as they might be, but we read *Democracy in America* precisely because Tocqueville approached his subject with a broad philosophical and creative sweep and never just as a scientific investigator. And it is for this reason that *Democracy in America*, unlike the countless other books on America written by foreign observers in the 19th century, is so much more than a book about America.

Endnotes

[57.] J-J Ampère, *Promenade en Amérique* (Paris: Michel Lévy, 1856), I, pp.337-41.

[58.] Quoted in Herbert B. Adams, *Jared Sparks and Alexis de Tocqueville* (Baltimore: The Johns Hopkins Press, 1898), p. 606.

[59.] William W. Story (ed), *Life and Letters of Joseph Story* (Boston: 1851), II, p.330.

[60.] See Garry Wills, "Did Tocqueville 'Get' America?," *New York Review of Books*, April 29, 2004, pp. 52-6.

[61.] *Œuvres Complètes* (Paris: Gallimard, 1967) VIII (1), p.176.

[62.] *Democracy in America* (Indianapolis: Liberty Fund, 2010), I, p.4., n.c.

[63.] *Œuvres Complètes* (Paris: 1998), XIV, p.165.

[64.] Françoise Mélonio and Laurence Guellec (eds), *Tocqueville : Lettres choisies, Souvenirs* (Paris : Gallimard, 2003), p.183.

[65.] *Œuvres Complètes*, XIV, p.92.

[66.] *Œuvres Complètes*, XIV, p.100.

[67.] *Œuvres Complètes*, XIV, p.165.

[68.] *Democracy in America*, pp.27-8.

[69.] *Democracy in America*, p.31.

[70.] *Democracy in America*, p.30I.

[71.] *Democracy in America*, p.30.

[72.] *Democracy in America*, p.31.

[73.] *Democracy in America*, p.31

[74.] *Democracy in America*, p.3, n. a

[75.] See *Œuvres Complètes* (Paris : 1984), IV.

3. Daniel J. Mahoney, "Wisdom, Human Nature, and Political Science" [Posted: May 9, 2014]

Aurelian Craiutu has written an admirably clear and insightful reflection on Tocqueville's "new political science ... for a world entirely new." In the course of his presentation it becomes evident that the great Frenchman's political science is not entirely new and that democracy does not *wholly* transform human nature or the nature of society. Tocqueville thus deliberately overstates when he emphasizes the radical "newness" of the democratic dispensation that was in the process of transforming the European-Christian world, and that had already reached its "natural limits" in the New World. Tocqueville, too, cannot but help make reference to the sempiternal insights of classical political philosophy and to human nature *sub specie aeternitatis*. Yet his emphasis lies elsewhere.

John Stuart Mill was not wrong when he praised Tocqueville for changing the very face of political philosophy. [76] The author of *Democracy in America* had indeed taken the discussion of the "tendencies of modern society" into "a region of both height and depth" and illumined the great "democratic revolution" like no one before or after him. Tocqueville is the great phenomenologist of modern democracy -- he *describes* it with some fear and trembling but with hope that it can ultimately be made to coexist with the liberty and dignity of human beings. That hope depends on the salutary presence of "political science" in the new democratic world. Craiutu rightly differentiates Tocquevillean political science from every version of "literary politics," the utopian illusion that one can draw on the "ingenious or new" in contradistinction to the hard realities that persist in any political and social order. Tocquevillean political science is above all a teacher of moderation and possibility -- it teaches restraint to democratic man even as it reminds him of a "greatness" that is occluded by the march of democratic equality. As Craiutu points out, the tension between human greatness and democratic justice is at the heart of Tocqueville's "philosophical" reflection, his *normative* political science, and connects his work to the deepest themes of classical political philosophy. Tocqueville, the sincere and thoughtful partisan of democratic justice, is also a partisan of political greatness, a Gaullist *avant la lettre*. Aristocracy is dead as a "social whole," as a full-

fledged human and political possibility, but it lives in the souls of men who love liberty as an end in itself and who hold on to honorable self-regard. The specter of the "last man," devoid of concern for excellence and preoccupied with what Heidegger called "average everydayness," haunted Tocqueville no less than Nietzsche. The difference lies in Tocqueville's refusal to jettison common humanity, political freedom, and a theism that respected the moral law bequeathed by the Christian heritage of the West.

In my view, Craiutu creates too much symmetry between the Left and Right appropriations of Tocqueville. There are no doubt communitarians who draw upon the Tocquevillean critique of "individualism" and his accompanying defense of the "art of association." But Tocqueville is too critical of individual autonomy, of the pantheistic denial of a transcendent God, and too ambivalent about equality and human leveling for him to be truly admired by the contemporary Left. An initially friendly critic like Sheldon Wolin finally denounced Tocqueville as a reactionary because of his sympathy for aristocracy and his opposition to socialism in all its forms. Tocqueville is indeed a "moderate," but his moderation fits well within the purview of what we might call "conservative liberalism." In the end, Tocqueville cannot appeal to those who wish to erode all the extra-democratic supports of our democratic dispensation, who wish to fully "democratize" democracy.

I fully share Aurelian Craiutu's admiration for Tocqueville's great speech on political science that he delivered to the French Academy of Moral and Political Sciences in Paris on April 3, 1852. The distinction he makes on that occasion between the "art" and "science" of government helps us understand that all practical political activity must be attentive to philosophy and history and to those features of enduring human experience that speak to "the general and permanent condition of humanity." This is the *science* of government as opposed to the *art* of government, which addresses "the difficulties of the day." The speech also admirably highlights the connections between political science, contemplation of truth, and a regime of political liberty. (Its Appendix could not be read under the semi-despotic conditions of Bonapartist rule.) But I differ from Aurelian in my estimation of how much this speech illumines the "new science of politics" that Tocqueville spoke about in the "Author's Preface"

to *Democracy in America*. In the 1852 speech, Tocqueville freely draws on the ancient “publicists” such as Plato and Aristotle; in 1835 he seems to suggest that they are more or less irrelevant to the political science necessary for the new democratic world. I would suggest that Tocqueville had gone too far in *Democracy* in emphasizing the new or original character of his political science. As Pierre Manent and Sheldon Wolin have both pointed out, the tensions between justice and greatness and the status of the “political” are central concerns of Western political philosophy dating back to Greek antiquity itself. Perhaps the April 1852 speech on political science is best seen as a self-correction, one that places Tocqueville’s political science into proper dialogue with some of its great predecessors and inspirations.

I think that a better entrance into Tocqueville’s “new political science” lies in the distinction he makes in *Democracy in America* between the “nature” of equality and the “art” of liberty. As Tocqueville writes in Vol. II, Section IV, chapter 3 of *Democracy in America*, the “idea of intermediate powers” does not naturally come to the minds of people in an egalitarian age. Distrusting intermediate powers, democratic man succumbs to the “thought of a unique, uniform, and strong government.” (All quotes from the Liberty Fund Schleifer translation.) Tocqueville is quite insistent: “Centralization will be the *natural* government” in a democratic age (my emphasis). In democratic centuries, “individual independence and local liberties will always be a product of *art*.” (Again, my emphasis.) There is something Sisyphean about this constant effort to keep centralization at bay and to defend individual independence, intermediate institutions, and local liberties against the tendency toward concentration and centralization. This dialectic of nature and art is *the* key to Tocqueville’s new science of politics.

There are many gems in Craiutu’s essay. He rightly emphasizes Tocqueville’s opposition to every form of historical determinism, to the effort to shear history and politics of the human element. No Churchill, no victory in the Battle of Britain. No Hitler, no Holocaust. As the historian John Lukacs has suggested, every sentence in Tocqueville’s chapter on historians in democratic centuries could be turned into a paragraph, and every paragraph into a chapter. The chapter is that discerning. Social scientists may be concerned with “dependent variables,” but they forget that human

agency is itself a variable that is not reducible to things outside itself.

Craiutu’s “thought experiment” about Tocqueville’s fate in a modern scientific political science department speaks for itself. The bloodless and soulless advocates of scientism cannot understand “social wholes” or an action that is not determined by something outside itself. They have severed political science from a concern for the soul and the liberty and dignity of human beings. They want absolute precision where reality (such as the nature of democracy) demands a respect for the phenomenon in all its amplitude and variety. We should judge academic political science by the heights and depths to which Mill referred and not by a petty scientism that cannot understand things as they are. If Tocqueville could not be awarded a dissertation for *Democracy in America*, there is something deeply wrong with a profession that in its dominant parts has forgotten *sagesse* (wisdom) in both its theoretical and practical forms.

Endnotes

[76.] John Stuart Mill’s reviews of the two volumes of *Democracy in America* can be found in *The Collected Works of John Stuart Mill, Volume XVIII – Essays on Politics and Society Part I*, ed. John M. Robson, Introduction by Alexander Brady (Toronto: University of Toronto Press, London: Routledge and Kegan Paul, 1977): Volume 1 and Volume 2.

3. THE CONVERSATION

1. Filippo Sabetti, "Tocqueville's Unmet Challenge" [Posted: May 13, 2014]

Clearly, Tocqueville did not directly discuss what we might call, after James Buchanan, constitutional choice, though chapter 5 in the first volume on the township can be taken as illustrative of this. [77]

Tocqueville posed a challenge to our understanding of democracy, centralized government, and administration. This challenge has yet to be met directly, though Vincent Ostrom sought in his 1997 work, *The Meaning of Democracy and the Vulnerability of Democracies*, to address it.[78] No wonder Vincent's work has not received the attention it deserves. Many in and outside academia want to forget that challenge. The idea of responsible and free individuals is alien to them, as they prefer to emphasize equality or inequality above all else. See how Thomas Picketty's work, *Capital in the Twenty-First Century*, has been received in North America.[79]

Endnotes

[77.] "Of the Town System in America" in Alexis de Tocqueville, *Democracy in America*, Vol. <http://oll.libertyfund.org/titles/2285#lf1532-01_head_095>.

[78.] Vincent Ostrom, *The meaning of democracy and the vulnerability of democracies: a response to Tocqueville's challenge* (Ann Arbor : University of Michigan Press, 1997).

[79.] Thomas Picketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Harvard: Belknap Press, 2014).

2. Aurelian Craiutu, "An Excellent Work" [Posted: May 15, 2014]

I would like to thank the other participants in this forum for their thoughtful and generous responses to my initial essay, which ended with a thought experiment about Tocqueville's presumptive dissertation. I was delighted to see that others found it of interest and shared my fears and doubts. Daniel Mahoney concludes his essay by acknowledging that if Tocqueville could not be awarded a Ph.D. for *Democracy in America* today because of his methodological vagueness and ambiguity, something would be deeply wrong with a profession that in its dominant parts has succumbed to scientism and behaviorism and has forgotten wisdom. I can hardly agree with him more. A fuller discussion on this issue would be in order, and this thought experiment could (and should) be explored in further detail in a special issue of a prominent academic journal (*Perspectives on Politics*, for example).

What the conversation has revealed thus far is that we all share a genuine appreciation for the originality and depth of Tocqueville's multifaceted and comparative analysis of democracy, and his passion for liberty and politics. Filippo Sabetti provides a detailed and useful outline of the main components of Tocqueville's framework of analysis that includes various foci and levels, small and large processes, and fundamental pairs (democracy-aristocracy, freedom-equality, New World-Old World, England-France). We also agree that the renewed interest in Tocqueville has a lot to do with democracy's present triumph across the globe. The democratic revolution about which Tocqueville wrote two centuries ago has spread far beyond the United States and Europe to every corner of the globe. As Sabetti reminds us, Tocqueville wanted to promote a new civic spirit and sought to participate in his countrymen's education in liberty. It would be hard to find two more urgent priorities for many parts of the world today, starting with Russia and Eastern Europe and ending with the Middle East and China.

We also agree that, appearances notwithstanding, it is *not* easy to read *Democracy in America* correctly. Tocqueville asks us to judge the book by the "general impression" that it leaves rather than by its explicit arguments, and we must constantly keep in mind the secret chain that links all his reflections. (In this regard, I note

an interesting affinity with Montesquieu's *Spirit of the Laws*.) In a letter to Louis de Kergorlay on December 26, 1836, Tocqueville wrote: "To point out if possible to men what to do to escape tyranny and debasement while becoming democratic. Such is, I think, the general idea by which my book can be summarized and which will appear on every page." [80] He deliberately avoided including many figures and statistics in his book because such things change quite rapidly and become obsolete. We are also warned that "the author who wants to make himself understood is obliged to push each of his ideas to all of their theoretical consequences, and often to the limits of what is false and impractical." [81] This is likely to surprise many readers and make the reading of the book at times an arduous enterprise.

Arguably the greatest ambiguity concerns the concept of democracy, which is at the heart of Tocqueville's work. He saw many things in Jacksonian America; some of them he liked, some he disliked or failed to understand properly. He decided, however, to call all of them "democracy" in spite of the diversity of the country and the strong differences about the practical application of the principles of democracy in America (starting with the vexing issue of slavery). To his credit, Tocqueville himself was not unaware of these problems, as the drafts and notes in the Nolla-Schleifer critical edition clearly demonstrate. As he was finalizing volume one of *Democracy in America*, he pointed out the great difficulty in untangling what is democratic from what is commercial, English, and Puritan in America. [82]

For all of his star status, Tocqueville was not and should not be treated as a guru or infallible prophet. Moreover, we need to pay heed to his plea for generosity on the part of his readers. As Jeremy Jennings reminds us, several important objections were raised immediately after the publication of Tocqueville's book. Even a close friend and correspondent such as Edward Everett did not shy away from claiming: "There are several mistakes, as to matters of fact, some of considerable importance; there is occasionally a disposition shown, almost universal among intelligent original thinkers, to construct a theory, and then find the facts to support it." Nonetheless, Everett added, these were only "slight defects in an excellent work." [83] One can hardly agree more with his conclusion.

Endnotes

[80.] *Democracy in America*, I, 32, note x. All references are to the Liberty Fund critical edition of the book (2010).

[81.] *Ibid.*, 31.

[82.] See Jean-Claude Lamberti, *Tocqueville et les deux démocraties* (Paris: PUF, 1983), 26.

[83.] Edward Everett, review of Tocqueville's *Democracy of America*, volume one in *The North American Review*, XLIII: 92 (July 1836), 179.

3. Daniel J. Mahoney, "A Conservative Liberal" [Posted: May 19, 2014]

I would like to say a word about Tocqueville's relationship to the liberal tradition. At various times, he described himself as a "strange" and "new kind" of liberal, thus highlighting the fact that he was not a liberal of the conventional sort. As he told his English translator Henry Reeve in a letter dated March 22, 1837, he had one passion alone, "the love of liberty and human dignity." He did not identify that passion with either the aristocratic or democratic dispensation even if he resigned himself to a new democratic age where a kind of "decent mediocrity" might reign. In a private note to himself penned in 1841, he made clear his "hatred" for democratic demagoguery and the "envious passions" and "irreligious tendencies" of the lower classes. He had an "intellectual preference for democratic institutions," but declared himself "an aristocrat by instinct." He passionately loved freedom, legality, and the respect for rights but not democracy. In that same note he made clear that he belonged to neither the revolutionary nor the conservative party even if he shared the ends of conservatives while repudiating both the ends and means of the revolutionary party. Only by adapting oneself to the best of democracy could those conservative ends be safeguarded in a democratic age.

Tocqueville is best seen as a conservative liberal, one who defended liberty "under God and the law" (to cite *The Old Regime and the Revolution*) and who rejected

avant la lettre the ideal of humanity emancipated from divine and natural restraints. His was a liberalism with rare spiritual depth. He refused to choose between democratic justice and the grandeur of the human soul. He passionately opposed the collectivist state, but perceived its origins in an abstract individualism that undermined substantial human ties and bonds. He would have no sympathy for what goes by the name of libertarianism today. He believed in the dignity of politics and the imperative of self-government. He held on to few “absolute truths,” but believed in God, an immaterial soul, and the moral law. He was a theist and what one might call a Catholic fellow-traveler. A man of noble character, he believed that “life is neither all pleasure nor all pain; it is a serious responsibility of which we are duty-bound to acquit ourselves as best we can,” as he put it in a letter to a friend in 1831. This aristocrat by instinct hated slavery and had nothing but contempt for the racialism of his friend and confidant Arthur de Gobineau. Tocqueville would have despised every form of totalitarianism as well as the softness and relativism that goes by the name of liberalism today. He is an inspiration for every friend of liberty who refuses to identify democracy with bloodless nihilism or petty self-indulgence.

(In this post I have drawn on translations by Roger Boesche, Olivier Zunz, and Alan S. Kahn as well as by Frederick Brown).

4. Aurelian Craiutu, "Was Tocqueville Right about Decentralization?" [Posted: May 19, 2014]

Upon rereading the three responses, I realized again that when interpreting Tocqueville’s writings, it is essential to remember that he lived in an age of *transition* and belonged to a generation whose main mission was to bring the French Revolution to a peaceful end. It was also an age when firm beliefs were dissolved to make way for a universal and relentless questioning of all dogmas, principles, and authorities. In this regard, we may seem to live in a similar age, and this should bring Tocqueville even closer to us.

I would like to also confess that my interest in Tocqueville has never been purely academic. I first read

him while studying in France in the aftermath of the fall of communism in Eastern Europe and have been rereading him ever since in light of that first encounter. More than any other political thinker, Tocqueville seemed to be my contemporary because he asked the very question that preoccupied me at that time as Eastern Europe was making the transition to an open society. (Has it ended, I wonder?) The question was how to bring the revolution(s) of 1989 to a peaceful end by constitutionalizing the liberties gained in that *annus mirabilis* which saw the fall of the Berlin Wall.

If communism challenged the imagination and conceptual resources of academics and politicians alike, the same can be said about post-communism. The debates over the true meanings of the 1989 revolution, the legacy of communism, and its impact on subsequent transitions to democracy show that political scientists have put forward different theories of democratization that attempted to make sense of the new political and social scene in Eastern Europe (and Russia). In what ways can Tocqueville’s new science of politics help us analyze and understand better the new political landscape in that region?

For the sake of debate, I would like to take up an issue that looms large in *Democracy in America*: decentralization. Tocqueville ascribed the vigor of the American democracy to both self-government and administrative decentralization. In *The Old Regime and the Revolution* he presented centralization as one of the most disturbing vices of nondemocratic regimes and suggested that decentralization should be seen as an essential precondition of democratic regimes. How does this square with the post-1989 situation in Eastern Europe?

The aftermath of communism witnessed in the region a swift economic and partial administrative decentralization that led to a paradoxical outcome: the rise of local (and often mafia-like) elites exerting territorial and logistical control in their respective regions. This made possible the appearance of local powerful barons that were extremely deft at appropriating national and European funds, which they channeled more into their private business than into public projects. In retrospect it is obvious that this decentralization, although good in principle, had perverse consequences and was not the type of thing Tocqueville would have liked or endorsed. This perverse form of decentralization did not contribute to a better form of self-govern-

ment but to the consolidation of perverse local institutions and entrenched local economic and political elites.

And yet, as a good friend of mine and an expert on the region, Venelin Ganey (Miami University of Ohio), once noted in our private exchanges on this topic, “Democracy did in fact take root, despite the ‘bad’ decentralization.” All this should lead us to conclude that Tocqueville’s celebration of decentralization might have gone too far or might be in need of nuances. Is that right?

5. Filippo Sabetti, "What Kind of Liberal?" [Posted: May 19, 2014]

It’s hard to disagree with Dan Mahoney and Aurelian Craiutu. There is no doubt that Tocqueville spoke of the imperative of self-government as a sort of universal civilization and that his work is indeed an inspiration for every friend of liberty. But what kind of liberal was he? If we confine ourselves to labels, it’s hard to say what kind of liberal he truly was. After all, he seemed to have been indifferent or agnostic about the subjugation of people by the French in North Africa and elsewhere. The same applies *mutatis mutandis* to John Stuart Mill and India.

If we read Tocqueville for gems of wisdom here and there, as was my first experience in reading him, then there is not much else to add. I think Tocqueville may be better appreciated if we view his attempt to understand democracy in America as part of a longer tradition of thought. Vincent Ostrom used to start with the *Federalist* and then move to Tocqueville in the first volume of *Democracy in America* for an appreciation of how the system of government created by Americans drew on the creative capacity of people to give themselves institutions for self-rule extending from the local level to the nation as a whole. The second volume draws attention to the vulnerability of self-governing systems.

But this reading of Tocqueville applies to North America and cannot be extended to South America. I once gave a lecture on self-government and federalism at a Mexican university and was sharply reminded of

the history of United States vis-à-vis Mexico and how mistaken or biased was Tocqueville.

So what’s left of Tocqueville? I will try to answer this question in my next posting.

6. Aurelian Craiutu, "Beyond Labels" [Posted: May 27, 2014]

I would next like to take up the question raised by Daniel Mahoney regarding what kind of “liberal” Tocqueville was. Mahoney is justified, I think, in calling him a “conservative liberal,” but one wonders what Tocqueville would have said about that. I have no way of offering a clear answer to this question, but as a second best, I propose that we consider three key passages drawn from different writings of Tocqueville from 1837 to 1841. The first one is a note accidentally found and published for the first time by his biographer, Antoine Redier in 1925; the second is from Tocqueville’s notes for *Democracy in America*; the third is from a letter to his English translator, Henry Reeve.

In the first, “My instincts, my opinions” (probably from 1841), Tocqueville described his political beliefs as follows:

I have an instinctual preference for democratic institutions, but I am aristocratic by instinct, that is I despise and fear the crowd. I passionately love freedom, legality, the respect for rights *but not democracy*. This is the base of my soul. I hate demagoguery, the disorderly action of the masses, their violent and uneducated participation in affairs, the lower classes’ envious passions, the irreligious tendencies.... I belong neither to the revolutionary party nor the conservative party. But in the end *I hold more to the latter than to the former*. For I differ from the second more by the means than by the end, while I differ from the former by both means and end. Freedom is the first of my passions. This is what is true.

Here we have the conservative side of Tocqueville, who distrusts the disorderly actions of the masses.

The second fragment seems to tell a slightly different story and was written in 1837-38, as Tocqueville was conceiving volume two of *Democracy in America*.

You see that my tendencies are always democratic. I am a partisan of democracy without entertaining any illusions about its flaws and without ignoring its dangers. I am an even greater partisan [of democracy] since I believe that I see more clearly than others, because I am profoundly convinced that there is no means of stopping its triumph, and that it is possible to diminish the evils it brings and to produce the good it promises only by working with it and guiding it as much as possible.

Tocqueville argues here not only that democracy could not be stopped, but also that its triumph was both right and beneficial for mankind, if democracy can be properly “moderated” and purified of its anarchical tendencies.

Finally, in a famous letter to Henry Reeve in 1837, Tocqueville presented himself as an impartial observer placed in a perfect equilibrium between past and future, or between aristocracy and democracy. The chance of birth had made him very comfortable defending both the values of aristocracy and democracy. “In a word,” he concluded, “I was so thoroughly in equilibrium between the past and the future that I felt naturally and instinctively attracted toward neither the one nor the other. I did not need to make great efforts to cast calm glances on both sides.”

What then of Tocqueville’s “true” convictions? François Furet once described him as “a democrat by intellect but an aristocrat at heart,” while Alan Kahan referred to him as “an aristocratic liberal.” I once described him as an unconventional, eclectic moderate. All these labels are probably justified, but they may not render full justice to the complexity of Tocqueville’s political vision. Yet they all suggest that the greatness of Tocqueville does not lie in any single doctrine that he may have espoused but in the ambivalent and critical ways in which he analyzed the multiple facets of democracy as a new social condition and form of government.

7. Daniel J. Mahoney, "Imperfect Labels" [Posted: May 27, 2014]

Filippo Sabetti is certainly right to remind us that Tocqueville was an advocate of civilizing empire and that his support for French colonialism in Algeria is at some tension with his liberalism. On the other hand, there is a growing academic industry that aims to summarily indict Tocqueville for his views on empire rather than making an elementary effort to understand them. As Raymond Aron once put it, “[T]his prince of the mind did not turn his back on either the greatness of the country or the liberty of its citizens.” A careful reading of Tocqueville’s writings on empire shows that he thought it a worthy pursuit of a free and great people, but that he never justified cruelty or the injustice that was slavery. His beautiful testimony against slavery that appeared in *The Liberty Bell* in 1856 made clear his absolute opposition to “personal servitude” and “man’s degradation by man.” “An old and sincere friend of America,” he lamented that slavery tarnished her glory and gave support to her detractors. He hoped “to see the day when the law will grant equal civil liberty to all the inhabitants of the same empire, as God accords the freedom of the will, without distinction, to the dwellers upon earth.” And he had nothing but contempt for his friend Arthur de Gobineau’s emphasis on the allegedly scientifically founded “inequality of the races.” As he wrote to Gobineau on January 24, 1857, “Christianity manifestly has tended to make all men brothers and sisters.” Tocqueville remained faithful to that Christian insight even as he supported France’s right to exercise what I have called civilizing empire. These tensions deserve reflection rather than moralistic disdain of the type put forward by contemporary academics.

On another front, Aurelian Craiutu helpfully reminds us of the myriad ambiguities that make it difficult to label once and for all Tocqueville’s “strange kind” of liberalism. Perhaps Pierre Manent provides a helpful clue when he suggests that there was also a tension in Tocqueville’s mind between justice and grandeur. We underestimate Tocqueville as a thinker when we fail to see that his judgments of the “head” also had a place for magnanimity or greatness of soul. To be true to democratic justice while still honoring man’s capacity for greatness might even be said to be a serviceable definition of the Tocquevillean enterprise. Labels such as “conservative liberal” and “aristocratic

liberal” are necessarily imperfect efforts to do justice to that insight.

8. Filippo Sabetti, "Can Tocqueville Answer Piketty?" [Posted: May 27, 2014]

I found the most recent comments of Daniel Mahoney and Aurelian Craiutu most interesting. I have been thinking about them as I travel in the areas that Tocqueville travelled in Sicily. I will limit myself to two comments.

First, Tocquevillian analytics. I know that Aurelian tried to promote this form of analytics as a way of making explicit what in Tocqueville is implicit, a particular framework of analysis. But I am afraid I have lost track of the reception of Tocquevillian analytics. Maybe Aurelian can remind us if what he proposed has been applied and met some success.

The second is directed to Dan as well as Aurelian. Glad that reference is made to the work of Pierre Manent for placing in sharp relief the tension in Tocqueville’s mind between liberty and equality. I know this is an old theme, and I am away from the sources and cannot do justice to them by memory. This old theme has been given renewed emphasis as Thomas Piketty’s *Capitalism in the Twenty-First Century* is gaining traction in academia -- that is, that wealth has produced and is producing greater and greater inequality and that this state of affairs raises serious questions about the prospects of maintaining a liberal order. What kind of liberty can exist in a social and political order marked by greater and growing inequality? Should we find in Tocqueville a way of addressing Piketty?

Just some thoughts.

9. Filippo Sabetti, "Tocqueville and Equality" [Posted: May 28, 2014]

Aurelian draws attention to a foundational issue: the importance that Tocqueville attached to the equality of conditions. Another way of putting Thomas Piketty’s argument forward is to speculate about what happens when taxation and related features promote great wealth for a small segment of the population (Piketty). Equally important, to my mind, is the case of government regulations and welfare policies promoting excessive reliance on government and undermining the capacity of people to become responsible individuals (Charles Murray). Both conditions, if true, can and do promote conditions of life that erode the prospects for equality of conditions for a substantial part of the population. Some people may be permanently poor from generation to generation. This I believe was the point that Charles Murray made about what he called the underclass.[84] So Piketty is not alone in raising these issues, which makes Tocqueville’s point – equality of conditions – an important issue worth considering. And thanks to Aurelian for putting contemporary debate into a historical Tocquevillian perspective.

One more thought came to mind. How about what in Tocqueville’s time was called pauperism?[85] Tocqueville wrote perceptively on this topic after his journey to England. Unfortunately I don’t have that paper handy and cannot quote from it. But all this makes me appreciate Tocqueville’s reflections and insights even more.

Endnotes

[84.] Murray, Charles A., *The Underclass Revisited* (Washington, D.C.: AEI Press, 1999).

[85.] "I. Memoir on Pauperism (Tocqueville)" in *Tocqueville and Beaumont on Social Reform*. Edited and Translated with an Introduction by Seymour Drescher (New York: Harper Torchbooks, 1968).

10. Aurelian Craiutu, "Mobility versus Inequality" [Posted: May 29, 2014]

Over the past years, I have been asking the students in my modern political thought class to write an essay imagining what Tocqueville might have said if he visited America today. This is an enjoyable open-ended assignment that invites them to select a few major concepts from *Democracy in America* and apply them to our contemporary context. This year, somewhat predictably for me, many students focused on the concept of equality of conditions, the *idée mère* of Tocqueville's masterpiece, and questioned to what extent Tocqueville's notion still makes sense in a country divided between the 99 percent and the famous 1 percent. This is a timely question, and I was not surprised to find a similar question in one of Filippo Sabetti's earlier posts: "What kind of liberty can exist in a social and political order marked by greater and growing inequality? Should we find in Tocqueville a way of addressing [Thomas] Piketty?"

I must admit that I am not sure how to answer properly this question since my knowledge of Piketty's work is limited to the reviews I have read lately in several newspapers. I have noticed though that my students tend to have a hard time understanding (and accepting) what Tocqueville meant by equality of conditions, in spite of the clear remarks that can be found at the outset of volume one of *Democracy in America*. For Tocqueville, the existence of equality of conditions was *not* incompatible with the persistence of economic inequalities. (Marx thought differently, of course!) It might be better described as the defining trait of the new (democratic) social condition, as social mobility, or the absence of caste-like inequalities. Equality of conditions is the opposite of civil inequality, the antithesis of aristocratic or caste-based privileges. It is at the heart of what Tocqueville calls the "double revolution" that had taken place in the social condition of the Old World: "The noble will have slipped on the social ladder, the commoner will have risen; the one descends, the other ascends. Each half-century brings them closer together, and soon they are going to touch" (*Democracy in America*, I, 10).

Tocqueville was not oblivious to the existence of economic inequalities in America. True, at times he did refer to the "surprising equality" in fortunes that

reigned in early 19th-century America, but he also noticed the potential for the appearance of what he called an "industrial aristocracy" in America. (He did not have good things to say about it in the chapter he devoted to this concept in volume two.) All in all, he did not believe that the existence of this type of aristocracy would be enough to call into question the future of American democracy as long as social mobility continued to exist in the New World. This led my students to examine social mobility in some detail, and the conclusions they reached were somewhat surprising. They argued, based on reliable studies, that contrary to the common perception, overall social mobility in America has not decreased substantially in the last 50 years in spite of the non-negligible growth of economic inequality. I am aware that some might want to question this point, but there is evidence to support it, and we should critically discuss it.

11. Aurelian Craiutu, "Le sentiment de l'égalité" [Posted: May 30, 2014]

I would like to add a few remarks on the notion of equality in Tocqueville. As James Schleifer reminded us in the recently published *The Chicago Companion to Tocqueville's Democracy in America* (2012), the concept of equality of conditions is better described as a "package" of *many* equalities. Among other things, equality of conditions is linked to the concept of the democratic social state (*état social*) in America, a key notion analyzed in the first part of volume one of *Democracy in America*. Democracy, Tocqueville wrote in a note, constitutes the social state while the principle of popular sovereignty refers to the political rule. Equality of conditions also connotes a certain set of mores and egalitarian attitudes and beliefs along with a deep "sentiment of equality" and individual dignity. Democracy is an eminently fluid society in which wealth is no longer fixed forever in the hands of certain families and in which individuals constantly climb and descend on the social ladder; it implies an open form of society in which everyone believes in his or her power to succeed. All people point to a shared form of democratic education and a strong conviction of equality, which are as important as social mobility and the constant circulation of wealth and property in democratic societies.

Why do I insist on all this? Mainly because I think it is important not to lose sight of equality as a package, or, to put it differently, it is important to stress the existence of several different meanings of equality (beyond economic equality). It can be argued that in spite of the rise of economic inequalities in contemporary America, the culture and mores of society remain egalitarian. Our lifestyles are still egalitarian, as are our ideas, norms, and conventions. The psychological dimension of equality, that is, the unshakable conviction in the worth of equality, is a principle as widely accepted as the doctrine of popular sovereignty. Tocqueville seems to have been quite prescient in insisting on the importance of what he called *le sentiment de l'égalité*. The real danger, I would add, is when the latter is being eroded and people no longer endorse it. Fortunately, we probably are far from that point even if we live in an age of increasing economic inequality.

12. Daniel J. Mahoney, "Mobility Counts" [Posted: May 30, 2014]

Aurelian Craiutu has nicely highlighted the rich and capacious Tocquevillean notion of the "equality of conditions" and how it is compatible with economic inequality in a society that nonetheless remains democratic and mobile. Our sentiments and mores remain broadly democratic, perhaps excessively so. I would simply like to add a qualification inspired by the work of Thomas Sowell. In works such as *Intellectuals and Society* (2009)[86] Sowell has shown that debates about income distribution in the United States have been distorted by a preoccupation with statistical categories. We are repeatedly told that the rich are getting richer and the poor are getting poorer. The problem with these affirmations is that people move with some frequency from category to category over time. Only 25 percent of the "super rich" in 1996 were still "super rich" in 2005. Over half of those making at or near the minimum wage are between the ages of 16 and 24. The age category continues indefinitely even as people advance to higher statistical categories as a result of work and experience. Intellectuals tend to identify inequalities with "inequities" where no injustice exists. The conclusion is clear: America allows a great deal of

economic mobility even as income inequalities persist and in some cases deepen.

Endnote

[86.] Thomas Sowell, *Intellectuals and Society* (New York: Basic Books, 2009).

13. Jeremy Jennings, "Tocqueville's Balancing Act" [Posted: June 2, 2014]

Let me return to Aurelian Craiutu's reflections on Tocqueville's new science of politics and Dan Mahoney's comment that perhaps Tocqueville's science of politics is not as new as we might at first imagine.

There are three obvious ways in which Tocqueville followed the conventions of his day. First, he agrees that something, if not everything, can be learned from the physical location and form of a country. Note that the first chapter of *Democracy in America* is devoted to an examination of "the external configuration" of the United States. Second, although he does not make much of this in his published text, Tocqueville assumes, like Montesquieu and others, that climate has an impact upon the behavior of a people and therefore upon its politics. Third, he believes quite strongly that the national character of a people has an important bearing upon its political institutions and practices. Here Tocqueville specifically accepts the then widely held view that, in terms of language and heritage, Americans possessed no distinct national identity: hence his frequent reference to Anglo-Americans.

Perhaps more importantly, Tocqueville assumed that it was politics and political institutions, and not economics, which acted as the principal drivers of the development of a society. To state the obvious: as political scientists we now tend to assume that it is the other way around. It is this primacy accorded to politics that in part explains the frequent criticism directed at Tocqueville of late that he failed to take adequate notice of the economic and technological innovations that were so transforming America in the early decades of the 19th century.

It can also be argued that Tocqueville shared what was the prevailing assumption that, if the tide of democracy could not be turned back, democracy was also potentially dangerous and needed to be kept in bounds. On this view, Tocqueville simply repeated the Federalist line of argument he had been fed by those he met in Boston upon first arrival in the United States. To this we might add that it can likewise be argued that Tocqueville said little about the functioning of democracy in America that was not already common knowledge.

As an example of the above, we might cite Basil Hall's *Travels in North America in the Years 1827 and 1828* – the second of the two books taken by Tocqueville when he set sail from Le Havre in 1831.[87] The practical operation of democracy, Hall wrote, “neither brings the most qualified men into power, nor retains them long” because “the actual, practical, efficient government of the country has got into the hands of the population at large.” “The voice of the multitude,” he observed, “regulates everything.” The effects of this “torrent” of democracy extended across both public and private life. They lowered “the standard of intellectual attainment” and diminished “the demand for refinement.” Consequently “great men” – be they politicians, scientists, or writers – were in short supply. The abolition of primogeniture meant that, if Americans were good at making money, they lacked “the art of spending it like a gentleman.” American judges disregarded “the collective wisdom of ages” in preference for “what appears right and proper at the moment.” Everybody in America, Hall observed, was “on the move.”

Nevertheless, it is Tocqueville we still read and not Basil Hall, nor many other visitors to America in this period. Why? Well, it might not be because Tocqueville set forth a new science of politics.

This in turn invites us, as Dan Mahoney suggests, to reflect upon what kind of liberal Tocqueville was. Conventionally, liberals of a European stamp are divided up into Kantians, utilitarians, and advocates of versions of Lockean natural-rights theory. None of these adequately describes the position taken by Tocqueville. Mahoney suggests that Tocqueville is best seen as a liberal conservative, and this rings true, but might it be better simply to see Tocqueville as a conservative? Admittedly this is hard to contemplate in a French context, where conservatism might conjure up names such

as Maistre and Bonald, but from a British 19th-century perspective this would make perfect sense. For all the fact that Tocqueville thought that Edmund Burke misread the French revolution, there is undoubtedly something of the Burkean about him. For Tocqueville's admiration of associative life in America read Burke's famous evocation of the little platoons; and so on. No one can deny that Burke, like Tocqueville, was a defender of individual liberty, but each feared the actions of the impulsive masses and each, to quote Mahoney on Tocqueville, rejected “the ideal of humanity emancipated from divine and natural restraints.” Jennifer Pitts has pointed out the similarity of their views on Empire. Both saw its potential benefits for the colonized, but both were equally adamant in their condemnation of its abuses.

Of course, and as we agree, labels are at best imperfect, but here they do perhaps highlight another problem that faces admirers of Tocqueville. It is hard not to empathize with Aurelian Craiutu's account of his own reading of Tocqueville in the aftermath of the fall of communism in eastern and central Europe. Many of us, I am sure, have been moved by the autobiographical accounts we have heard from colleagues condemned to decades of sterile Marxism-Leninism and their sense of personal liberation when they were at last able to read and talk freely of the works of Aron, Popper, Hayek, and, of course, Tocqueville. Yet, if we are honest – and as Craiutu acknowledges – the outcomes were not always as promising or as positive as originally hoped. Can Tocqueville still act as a guide in these post-communist societies? Craiutu thinks that they can, but his is far from being a resounding endorsement!

Filippo Sabetti next asks if, in the light of the recent praise for Thomas Piketty's international best-seller, Tocqueville can have much purchase in a world where western societies are increasingly characterised by growing inequality. Here, for the sake of argument, let us grant that Piketty is right in his claim that under the normal conditions of capitalism the rate of return on capital will tend to be larger than the rate of growth and therefore the rich will continue to become relatively richer.[88] It was only the unusual circumstances created by the global conflicts of the 20th century, Piketty contends, that temporarily masked this tendency. Tocqueville, contrary to what is sometimes argued, was far from economically illiterate, but he, unlike Karl

Marx, seems to have started from the assumption that inequality would decrease with the development of commercial society. Adam Smith shared this assumption. Yet, in the second volume of *Democracy in America*, Tocqueville identifies an emerging “manufacturing aristocracy” and clearly saw that the profits generated by their large industrial enterprises ran counter to what he took to be the democratic and egalitarian direction of society as a whole. At this point he escapes the difficulties this might pose for his account by suggesting that such enterprises were “an exception, a monster, in the entirety of the social state.” Nonetheless, in describing this new aristocracy as “one of the harshest that has appeared on the earth,” he perceived that its existence might generate renewed class struggle.

This fear was only confirmed with the passage of time. In a letter written to Theodore Sedgwick in October 1856, Tocqueville spoke of a “race of desperate gamblers” brought forth by American prosperity that combined “the passions and the instincts of the savage with the tastes, needs, vigour and vices of civilized men.” Who can say, he continued, “where this might lead if they ever gain the upper hand.” As Aurelian Craiutu and I commented in our introduction to *Tocqueville on America 1840*, “[I]mplicit in this passage is the idea that the market was difficult to control once free reign was given to individual ambitions and interests.”[89]

In truth, we did not need Thomas Piketty to tell us what the dangers were. It has long been recognized that free-market economic policies run the risk of destroying the cultural resources of social solidarity and association that occupy such a central place in Tocqueville’s hopes for the maintenance of a democratic polity. The unequal distribution of wealth, in other words, destroys the social glue that holds society together and that allows it to function. In such a society there can be no talk of the common good and of social justice and little, if any, benefit accrues to the worst off.

How could Tocqueville respond? Tocqueville, it might be argued, faced the dilemma of having to reconcile the claims of liberty and individualism and those of stability and a sense of community. But if we take Tocqueville to be a liberal, he is forced to prioritize the former over the latter. Accordingly he has little by way of intellectual armory to respond to the free-floating, self-realizing individual so dear to modern liberal phi-

losophy, or to the utility maximizer of market economics. The Tocquevillian balancing act collapses.

There is much that might be added to this by way of commentary on the fit, if any, between Tocqueville’s ideas and the structure and dynamics of actually existing society, but here it might be sufficient to say that what I have characterized as Tocqueville’s dilemma is one that those of us who continue to admire his work also share and need, with increasing urgency, to resolve. If not, we might all find ourselves paying “Piketty taxes”!

Endnotes

[87.] Basil Hall, *Travels in North America in the Years 1827 and 1828* (Cadell: Edinburgh, 1829), 3 volumes.

[88.] The *Financial Times* has challenged these statistical findings.

[89.] *Tocqueville on America after 1840: Letters and Other Writings*, eds. and trans. Aurelian Craiutu and Jeremy Jennings (Cambridge: Cambridge University Press, 2009), p.30.

14. Aurelian Craiutu, "Tocqueville Himself on American Equality" [Posted: June 2, 2014]

It is fitting, I think, to give the last word to Tocqueville. Since we discussed several meanings of equality, here is an insightful (and lesser-known) long passage from his voyage notes in which he compares equality in America and France (all quotes are from Alexis de Tocqueville, *Journey to America*, ed. J.P. Mayer, trans. George Lawrence, Yale University Press, 1962, pp. 258-60)[90]

He begins by highlighting the advantage of America as follows:

The relationship between the different social positions in America is rather difficult to understand, and foreigners make one or the other of these two mistakes: either they suppose that in the United States there is no distinction between man and man except that of personal merit, or else, struck by the high standing accorded to

wealth here, they come to think that in several of our European monarchies, in France for instance, we enjoy a more real and more complete equality than that of the American republics. I hold, as I said above, that both of these ways of seeing the matter are exaggerated.

First, let us get the ground clear: equality before the law is not at the moment in question, for that is complete in America; it is not only a right, but a fact. One might even say that for whatever inequality exists elsewhere, the world of politics makes ample compensation in favour of the middle and lower classes, who, with the inheritors of historical names, hold almost all the elected offices.

I am talking of equality in the exchanges of social life: the equality which draws certain individuals to come together in the same places, to share their views and their pleasures, and to join their families in marriage. It is in that that one must make distinctions between France and America. The differences turn out to be essential.

In France, whatever one says, prejudices of birth still hold very great sway. Birth still puts an almost insurmountable barrier between men. In France, the profession a man exercises still to a certain extent places him socially. These prejudices are the most fatal of all to equality, because they make permanent and almost indelible distinctions, even when wealth and time are against them. Such prejudices do not exist at all in America. Birth is a distinction, but it does not in the least place a man socially; it carries with it no right and no disability, no obligation towards the world or towards oneself; class structure by professions is also almost unknown; it certainly does make a definite difference to the position of individuals, a difference of wealth rather than of standing, but it does not create any radical inequality, for it by no means prevents the intermarriage of families (that is the great touchstone).

After pointing out the advantage of America over France, Tocqueville goes on to explain what makes America different:

This is the difference for the worse: The first of all social distinctions in America is money. Money makes a real privileged class in society, which keeps itself apart and rudely makes the rest conscious of its preeminence. This preeminence of wealth in society has less fatal consequences for equality than those which spring from prejudices of birth and profession. It is not at all permanent; it is within the reach of all. It

is not radical, but it is perhaps even more offensive still; it is paraded in America much more impudently than with us.

And here is Tocqueville's conclusion:

To summarize then, men in America, as with us, are ranked according to certain categories by the give and take of social life; common habits, education, and especially wealth establish these classifications; but these rules are neither absolute, nor inflexible, nor permanent. They establish passing distinctions and by no means form classes properly so called; they give no superiority, even in thought, to one man over another. So that although two men may never see each other in the same drawing-rooms, if they meet outside, they meet without pride on one side or envy on the other. At bottom, they feel themselves to be, and they are, equal.

Who can say all this better and more elegantly than our beloved Tocqueville?

Endnotes

[90.] Alexis de Tocqueville, *Journey to America*, ed. J.P. Mayer, trans. George Lawrence, Yale University Press, 1962, pp. 258-60.

4. ADDITIONAL READING

Online Resources

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10. DONALD J. BOUDREAUX, “DEIRDRE McCLOSKEY AND ECONOMISTS’ IDEAS ABOUT IDEAS” (JULY 2014)

This was an online discussion which appeared in “Liberty Matters: A Forum for the Discussion of Matters pertaining to Liberty” on Liberty Fund’s Online Library of Liberty during the month of July, 2014. The online version of the discussion can be found at <<http://oll.libertyfund.org/pages/mccloskey>> and ebook versions at <oll.libertyfund.org/titles/2628>.

Summary

Deirdre McCloskey is over the halfway point of her 3 volume work on *The Bourgeois Era*. Two volumes have already appeared, *Bourgeois Virtues* (2006) and *Bourgeois Dignity* (2010), and the third is close to appearing. This Liberty Matters online discussion will assess her progress to date with a Lead Essay by Don Boudreaux and comments by Joel Mokyr and John Nye, and replies to her critics by Deirdre McCloskey. The key issue is to try to explain why “the Great Enrichment” of the past 150 years occurred in northern and western Europe rather than elsewhere, and why sometime in the middle of the 18th century. Other theories have attributed it to the presence of natural resources, the existence of private property and the rule of law, and the right legal and political institutions. McCloskey’s thesis is that a fundamental change in ideas took place which raised the “dignity” of economic activity in the eyes of people to the point where they felt no inhibition in pursuing these activities which improved the situation of both themselves and the customers who bought their products and services.

The Debate

The online discussion consists of the following parts:

1. Lead Essay:

Donald J. Boudreaux, “Deirdre McCloskey and Economists’ Ideas about Ideas” [Posted: July 1, 2014]

2. Responses and Critiques:

1. Joel Mokyr, “Ideas Mattered, But So Did Institutions” [Posted: July 3, 2014]
2. John V. C. Nye, “How Do Ideas Matter?” [Posted: July 5, 2014]
3. Deirdre Nansen McCloskey, “The Fruits of Humility, and Reading, in Economics: A Genial Reply to Don Boudreaux” [Posted: July 7, 2014]

3. The Conversation:

1. Donald J. Boudreaux, “Skyscrapers, Wrecking Balls, and Gumption” [Posted: July 8, 2014]
2. Deirdre Nansen McCloskey, “Ethics Founds Institutions” [Posted: July 10, 2014]
3. Deirdre Nansen McCloskey, “How Big Were Ideas?” [Posted: July 10, 2014]
4. Deirdre Nansen McCloskey, “Doing the Dishes with Ethics and Institutions” [Posted: July 10, 2014]
5. John V. C. Nye, “Which Came First: Ideas or Growth?” [Posted: July 14, 2014]
6. Deirdre Nansen McCloskey, “Some Explicit Chains of Reason Linking Ideas to Growth” [Posted: July 15, 2014]
7. John V. C. Nye, “Bourgeois Values Aren’t Enough” [Posted: July 16, 2014]
8. Donald J. Boudreaux, “Changing Ideas Is Tougher than Changing Institutions” [Posted: July 16, 2014]
9. Joel Mokyr, “False Dichotomy” [Posted: July 21, 2014]
10. Deirdre Nansen McCloskey, “Some Explicit Chains of Reason Linking Ideas to Growth” [Posted: August 4, 2014]

About the Authors

Donald J. Boudreaux is a senior fellow with the F.A. Hayek Program for Advanced Study in Philosophy, Politics, and Economics at the Mercatus Center at George Mason University and a professor of economics and former economics-department chair at George Mason University. He holds the Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center. He specializes in globalization and trade, law and economics, and antitrust economics. Boudreaux is committed to making economics more accessible to a wider audience, and he has lectured across the United States, Canada, Latin America, and Europe on a wide variety of topics, including antitrust law and international trade. He is the author of the books *Hypocrites and Half-Wits: A Daily Dose of Sanity from Café Hayek and Globalization* (Free To Choose Press, 2012). His articles appear in such publications as the *Wall Street Journal* and *U.S. News & World Report* as well as numerous scholarly journals. He writes a blog (with Russell Roberts) called [Café Hayek](http://cafehaye.com/) <<http://cafehaye.com/>> and a regular column on economics for the *Pittsburgh Tribune-Review*.

Deirdre N. McCloskey is Distinguished Professor of Economics, History, English, and Communication at the University of Illinois at Chicago and Professor of Economic History, Gothenburg University, Sweden. She is currently completing a three volume work called "The Bourgeois Era", the first volume of which is *The Bourgeois Virtues: Ethics for an Age of Commerce* (University of Chicago Press, 2006); the second *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (Chicago Press, 2010); and the third *Bourgeois Equality: How Betterment became Ethical, 1600-1848*, and then *Suspect* (Chicago Press, forthcoming). She has also written among many other titles *The Cult of Statistical Significance* [co-authored with Stephen Ziliak] (University of Michigan, 2008); and *Crossing: A Memoir* (Chicago Press, 1999). Her website is <<http://www.deirdremccloskey.com/>>. Her website is <<http://www.deirdremccloskey.com/>>.

Joel Mokyr is the Robert H. Strotz Professor of Arts and Sciences and a professor of economics and history at Northwestern University and Sackler Professor (by special appointment) at the Eitan Berglas School of Economics at the University of Tel Aviv. He specializes in economic history and the economics of technological change and population change. He is the author of *Why Ireland Starved: An Analytical and Quantitative Study of the Irish Economy* (London: George Allen and Unwin, 1983), *The Lever of Riches: Technological Creativity and Economic Progress* (Oxford University Press, 1990), *The British Industrial Revolution: An Economic Perspective* (Boulder: Westview Press, 1993, 1998), and *The Gifts of Athena: Historical Origins of the Knowledge Economy* (Princeton University Press, 2002). His most recent book is *The Enlightened Economy*, published by Yale University Press and Penguin in 2009.

John V. C. Nye holds the Frédéric Bastiat Chair in Political Economy at the Mercatus Center and is a professor of economics at George Mason University. He also serves as a research director at the National Research University – Higher School of Economics in Moscow. He is a specialist in economic history and the New Institutional Economics. Prior to coming to GMU, he was a professor for over two decades at Washington University in St. Louis and was a founding member of the International Society for the New Institutional Economics. He has done research on a variety of topics from Anglo-French trade war and the rise of the British fiscal state, to Soviet collusion in championship chess, demography and cultural norms in Asia, and problems of reform in developing nations. He is currently directing a large-scale cross-national project on the importance of human capital for preferences, achievement, and institutional quality for HSE, Moscow. He received a BS in physics from Caltech and an MA and PhD in economics from Northwestern University. He is the author of *War, Wine, and Taxes: The Political Economy of Anglo-French Trade 1689-1900* (Princeton, 2007) and was co-editor with John Drobak of *Frontiers in the New Institutional Economics* (Academic Press, 1997). *Institutions, Innovation, and Industrialization: Essays in Economic History and Development*, which he jointly edited with Avner Greif and Lynne Kiesling, is forthcoming at the end of this year from Princeton University Press.

1. LEAD ESSAY: DONALD J. BOUDREAUX, "DEIRDRE MCCLOSKEY AND ECONOMISTS' IDEAS ABOUT IDEAS"

I.

Reading Deirdre McCloskey's *Bourgeois Dignity: Why Economics Can't Explain the Modern World*^[1] was a humbling experience for me. I don't refer chiefly to the typical reason that ordinary economists are (or ought to be) humbled when reading McCloskey's works – that reason being that we ordinary economists can't help but recognize our inability to perform feats of creative thought and tireless scholarship on a McCloskeyan scale. I refer mainly to the fact that she made me realize how susceptible I am to weak ideas.

For years I accepted the “institutional” account of the economic rise of the western world. This account is the explanation advanced most frequently by market-oriented scholars, perhaps most famously by Douglass North and Barry Weingast. It says, briefly, that the stupendous innovationism and commercial efforts that fueled the industrial revolution were first unleashed, in 17th century Britain, by changes in institutions – especially those changes that sparked, and that were further refined by, the Glorious Revolution. Changes in political institutions caged government more reliably. Private property and contract rights grew more secure. And these happy developments were reinforced by the decentralized English common law. Promethean entrepreneurs were finally free to create. Prudential managers were finally free to exploit all opportunities for efficiency gains.

It's a story that economists of a Friedmanite stripe love, and that economists of a Hayekian stripe love even more. I loved this story so much that I never thought seriously to question it even after I'd read Alan Macfarlane's remarkable history of English individualism. Macfarlane showed convincingly that the Anglo-American individualism that is typically thought to have sprung from the changes in formal political institutions that roiled 17th-century England in fact is rooted at least as deeply in time as 800 years ago:

When Jefferson wrote, “We hold these truths to be sacred and undeniable, that all men are created equal and independent, that from that equal creation they derive rights inherent and inalienable,” he was putting into words a view of the individual and society which had its roots in thirteenth-century England or earlier. It is not ... a view that emerged by chance in Tudor or Stuart England^[2]

I sensed only very vaguely this tension between the neo-institutionalists' theory (that our modern prosperity springs from the institutional changes wrought in 17th-century England) and Macfarlane's history (that ordinary English folk have been rather jealous of their rights and property for nearly a millennia). And this tension intensified only just a bit after I'd studied Harold Berman's monumental *Law and Revolution* ^[3] – a volume explaining how competition among alternative sources of governance gave rise, long before the 17th century, to a complex, nuanced, and workable system of laws and property institutions that should win the applause of 21st-century free-marketeters.

Oh, and there was also Bruce Benson's book on the spontaneous development of law and private property rights.^[4] Like the careful works of Macfarlane and Berman, Benson's volume showed that sound legal institutions developed in the west long before the industrial and Glorious revolutions. They did so in large part precisely because there was no powerful sovereign practically available in many situations to define property rights and to settle disputes – and, hence, no such sovereign practically available in many situations to stifflingly tax and to regulate enterprise.

I'd long ago read these books and found them, then as now, to be brilliant, compelling, and important. They did almost nothing, however, to cause me to question the story that explains the industrial revolution as springing from the emergence, allegedly for the first time in history in the 17th century, of the rule of law, limited government, and private property rights. Yet if the combination of limited government, the rule of law, and secure property and contract rights is the key to what Nobel laureate economist Edmund Phelps calls “mass flourishing,” ^[5] then the masses should have started flourishing centuries before the Battle of Reading.

How humiliating that I for so long nodded my head in agreement to both the institutional account of

the industrial revolution and to the legal and social history told so persuasively by Macfarlane, Berman, and Benson.

Enter McCloskey. What, she asks, changed in the 17th century to spark mass flourishing? Again, the answer can't be limited or small government, secure private property rights, or a rule of law at least as real as the one that today exists in prosperous places such as Chicago or Shanghai. While perhaps necessary for mass flourishing, those institutions have been around for too long without having launched any sustained economic takeoff. McCloskey's surprising yet compelling answer is that mass flourishing was sparked by a change in ideas about the dignity of commercial pursuits.

Until the 17th century, those who earned their living through trade were the Rodney Dangerfields of their eras: they got no respect. Merchants and other people operating on the supply side of commercial activities and transactions were tolerated. But they were viewed and spoken of with contempt. Unlike warriors who dirtied their hands honorably (namely, with blood), traders dirtied their hands dishonorably (namely, with profit). Unlike the nobility who got their riches honorably (namely, by idly collecting land rents), merchants got their riches dishonorably (namely, by actively trading). Unlike the clergy who won their rewards honorably (namely, by pondering the eternal), the bourgeoisie won their rewards dishonorably (namely, by responding to what Hayek later called "the particular circumstances of time and place").

Dishonor, you see, is a tax. This tax isn't imposed by the state, but so what? It is imposed by society. (Scholars who appreciate the reality and power of spontaneous order understand that collective action need not always be organized by the state.) And like all taxes, this "dishonor tax" (let us call it) discourages the activities on which it falls while it makes alternative, untaxed activities relatively more attractive.

Society's ancient habit of imposing sizeable dishonor taxes on merchants discouraged the best and the brightest from careers in commerce. These taxes worked as all sin taxes are supposed to work: they kept the sinful activity to a minimum. They also kept the few deviants who were not appropriately sensitive to the taxes out of polite society, much as today's animus towards tobacco keeps smokers outside of all public

buildings or in designated "airport smoking rooms." (Don't grow up to be a smoker, Junior. See how society ostracizes those who engage in such antisocial behavior?!) Such a tax does not weigh lightly.

Of course there was tinkering and invention long before the industrial revolution. Blacksmithing improved. So did sailing ships. Agricultural tools and practices advanced. But there wasn't a great deal of market-driven innovation. There wasn't the frenzied quest that marked much of the past two centuries to create entirely new products for sale to the general public. Premodern creativity seldom involved creative destruction. As odd as it sounds, creativity confined to improving known products, industries, and methods of production – creativity that creates without simultaneously destroying – isn't sufficiently creative to create mass flourishing. Such undestructive creativity is too polite. It often saves labor (that is, "destroys" some jobs), yet it poses no significant threats to the status quo or to the familiar structures of everyday life. So this polite creativity, while it might never have received an honor subsidy, was never burdened with a dishonor tax.

The dishonor tax was levied on merchants, those who dared to seek personal profit from impersonal exchange – from the art of (it was once mistakenly thought) duping one group of strangers to part with their money in exchange for goods produced by another group of strangers. How can that be honorable? But repeal the dishonor tax and watch out! Such exchange then occurs with greater and greater frequency. We get mass flourishing.

II.

I buy it. I'm sold. McCloskey's rhetoric has persuaded me that the repeal of the dishonor tax was the key change that launched modern prosperity.

Nevertheless, a question for McCloskey intrudes here: what exactly is the connection between market-driven innovation and the repeal of the dishonor tax on merchants? It's clear that repealing the dishonor tax on merchants encourages mercantile activity to blossom and boom as never before. We get more trade and more specialization according to comparative advantage. But how does this expansion of trade, and the resulting greater efficiency at producing known goods and services, lead to orgies of innovation of the sort

that McCloskey correctly identifies as the sine qua non of modern market economies?

The premodern world always had real live merchants to tax with dishonor. But it never had anyone like modern market innovators. Twelfth-century Europe, for example, wasn't home to any medieval Gustavus Swifts, John D. Rockefellers, or Malcolm McLeans struggling to creatively destroy established industries and familiar commercial practices. It's certainly believable that, had such Schumpeterian heroes arisen back then, they would have been slapped with an especially hefty dishonor tax. Yet it is not quite certain. Innovative activity of the sort that makes the modern world such a marvelous place is not (as McCloskey herself points out) quite the same thing as trade and commerce. And such innovation is entirely new. How can there have been widespread contempt, before the start of the age of mass flourishing, for occupations or activities that simply didn't exist? How can a dishonor tax have been imposed on people who couldn't back then even be imagined to exist, much less be seen or spoken ill about?

Asked differently, how exactly did the burden of the dishonor tax stymie innovationism of the sort that makes us all so prosperous today?

Part of the answer is that innovation that destroyed jobs was indeed held in contempt prior to the modern age. Repealing the dishonor tax on relatively simple labor-saving innovation plausibly also made more radical species of innovation more socially acceptable and, hence, unleashed this radical innovation so that it could bring its manifest blessings to the masses.

Yet I think that there's a second, complementary channel through which the repeal of the dishonor tax eventually led to Schumpeterian-McCloskeyan innovationism. It is this: by finally giving dignity to traders and shopkeepers, the repeal of the dishonor tax greatly expanded and made more reliable the economic institutions necessary for market-tested innovation to be a profitable pursuit. To thrive, market-tested innovation needs extensive markets. As (of course) Adam Smith taught, increasingly extensive markets are a result of expanding trade. And the freer is trade, the more it expands. The more trade expands, in turn, the more extensive grow markets. Therefore, repealing the dis-

honor tax makes trade freer which, by widening markets, increases the rewards for successful innovators.

Having to pay no hefty dishonor tax for innovating, and finding that expanding trade has increased (as standard textbooks predict) the monetary rewards for innovation, innovationism of a sort never before known in history began to happen on a routine basis. The result is our modern prosperity.[6]

This (or a similar) causal chain is almost certainly what McCloskey has in mind when she writes that the rise of bourgeois dignity – the repeal of the dishonor tax – is responsible for the innovationism that is so central to our modern mass flourishing. But on my reading of McCloskey this chain is more implied than explicit.

III.

I know from several conversations that I've had with economists whose judgment I respect that McCloskey's idea-and-talk-based theory of the industrial revolution remains suspect. The objection is that ideas are too immaterial to explain material reality. McCloskey herself, of course, is quite aware of this objection to her theory, and she is far more able than I am to expose the weaknesses of this objection. I content myself here, as a finale to this opening essay, simply to acknowledge that I don't understand the idea that ideas don't matter. They do. So, too, do the ways that we talk and otherwise share our ideas. That this is so I have no doubt.

I do understand the reality of material constraints and the importance of material alternatives. No amount of changes in ideas will repeal the law of demand. Economists do great a service by reminding John and Jane Doe that these constraints are real and unavoidable. But we economists also teach even our freshmen students that movement occurs not only along given demand curves; demand curves themselves move. And we teach these students that at least one important reason for a shift in demand is a change in consumers' tastes and preferences – which surely include changes in the ideas that consumers have about different goods and services available on the market. If things as subjective, as unobservable, and as immaterial as “tastes and preferences” matter fundamentally for demand, why can't unobservable and immaterial ideas matter fundamentally for supply?

Suppose people come widely to believe that “two apples a day keep the doctor away.” Would any economist be surprised to discover that the demand for apples rises as a result? I doubt it. So now let the idea spread that shopkeeping is a profession more dignified than once thought. Or the idea that, contrary to earlier ideas, making a boatload of money is honorable if that money comes from consumers voluntarily buying your new gizmo. Watch what happens then. We get more shopkeeping and more and better gizmos. The latter proposition (the one about supply) is as perfectly plausible as the first (the one about demand).

Was such a change in ideas about bourgeois pursuits the cause of the industrial revolution? That's a separate question, although it's one to which McCloskey's affirmative answer is (for me) compelling. But even if McCloskey's theory is one day proven wrong, I'm confident that the reason will not be because someone showed conclusively that ideas do not profoundly affect the course of history or of economies.

It is high time that economists' improve their ideas about ideas. They should start by studying Deirdre McCloskey's work.

[6.]What role was played by the growing acceptance of consumer sovereignty? Was a rising recognition that consumers are (or should be) the ultimate judges of the value of economic activities a – perhaps *the* – cause of the repeal of the dishonor tax? Was it a consequence? Both? Neither?

Endnotes

[1.]Deirdre McCloskey's *Bourgeois Dignity: Why Economics Can't Explain the Modern World* (Chicago: University of Chicago Press, 2010). Also, Deirdre McCloskey, *Bourgeois Virtues: Ethics for An Age of Commerce* (Chicago: University of Chicago Press, 2006).

[2.]Alan Macfarlane, *The Origins of English Individualism* (Oxford: Blackwell, 1978), pp. 202-203.

[3.]Harold Berman, *Law and Revolution* (Cambridge, MA: Harvard University Press, 1983).

[4.]Bruce L. Benson, *The Enterprise of Law* (San Francisco: Pacific Legal Foundation, 1990). See also Robert C. Ellickson, *Order Without Law* (Cambridge, MA: Harvard University Press, 1991) and Erik O. Kimbrough, Vernon L. Smith, and Bart J. Wilson, “Historical Property Rights, Sociality, and the Emergence of Impersonal Exchange in Long-Distance Trade,” *American Economic Review*, Vol. 98, June 2008, pp. 1009-39.

[5.]Edmund S. Phelps, *Mass Flourishing* (Princeton: Princeton University Press, 2013).

2. RESPONSES AND CRITIQUES

1. Joel Mokyr, "Ideas Mattered, But So Did Institutions"

Don Boudreaux wisely rejects the idea that ideas did not matter. Where did we ever get *that* idea? One answer, of course, is from Marx and his sidekick Friedrich Engels, whose (a)historical materialism was as doctrinaire as it was mistaken. But modern economists are not necessarily much better. In their widely reviewed and noted massive *Why Nations Fail*, noted economists Acemoglu and Robinson have no interest in "culture" (which is a close cousin of "ideas"). On the other hand, Professor McCloskey, with equal certainty, rejects the notion that "institutions" mattered. England had a rule of law and property rights in the Middle Ages, she says, and so how can institutions explain the Industrial Revolution of the late 18th century? So: ideas, yes, but institutions, no. Professor Boudreaux is convinced.

Not so fast. If by "institutions" we mean *formal* institutions that regulate the relation between King and subject, between taxpayer and taxpayer, perhaps so. But that is an overly narrow definition of the classic Northian view of what institutions do and what they are. Institutions are the rules by which the economic game is played. Certain actions are rewarded, others are punished. They thus form a huge matrix of incentives that help determine how everyone plays the game. One set of rules determine whether taxes are levied reasonably and whether the King respects his subjects' property and other legal rights. But there is so much more. And by dismissing the Northian definition, McCloskey and Boudreaux are rash in dismissing the importance of the rules of the economic game for subsequent economic development in Britain.[7]

The short answer to why Britain was so successful can be summarized in two words: attitudes and aptitudes. Professors McCloskey and Boudreaux make a convincing case for attitudes. The case they make is incomplete (*whose* attitudes exactly, and how about minor intellectual developments preceding the Industrial Revolution such as the Enlightenment — arguably the most significant intellectual development in the Western World since monotheism?), but it is convincing.

Attitudes matter. But what about aptitudes? Can we understand them without worrying about institutions?

One such institution is apprenticeship. Mechanical skills and ingenuity, like playing music, required *both* a born talent and training. Talents may be distributed uniformly across nations (though malnutrition and disease could cause irreversible damage to them), but training required something more. Before the Industrial Revolution there were no technical high schools or community colleges. An artisan was trained by another. Masters begot apprentices. Apprentices became masters and trained more. Cultural evolution in action. Every skilled craftsman produced two things: a product or service and young men trained to make more. Cultural evolution in action.

A moment's reflection will indicate that, to work well, apprenticeship needed an institutional framework in which it could function. After all, the contract written between a Master and an Apprentice (usually the parents) was the Mother of all Incomplete Contracts. In it both sides agreed on a complex bilateral deal that contained multiple components: training as well as room and board for the apprentice, a cash payment, and the promise of future services for the Master. It is literally impossible to specify fully the contract between them, since such a contract cannot contain all the details of the skills that the Master will teach the eager young pupil, or the various chores and services the Apprentice will carry out in return. Since the relation was a one-shot encounter, a naive economist might think that both sides would behave opportunistically. Such behavior did occur, inevitably. In truly egregious cases, of course, one of the parties could go to court, but given the slowness, high cost, and unpredictable nature of court decisions, this was truly a *pis aller*. Another way of enforcing and overseeing this contract was through craft guilds, which in some Continental regions regulated the entire training process. Both of these options could be found to some extent in England before the Industrial Revolution.

But it is clear that apprentice contracts, to work well, needed something more, and that was spontaneous, self-enforcing contracts.[8] Many writers on institutions, above all Avner Greif, have emphasized the importance of reputation effects in making "private-order" institutions work.[9] In the small artisanal communities of England's provincial towns people

knew one another. Opportunistic or immoral behavior toward one's apprentices would be punished, not only by drying up the supply of would-be youngsters, but through a bad reputation that could spill over to creditors, customers, suppliers, and so on. For the youngster, too, there were reputational considerations, not just concerning him but his family as well. Guilds, on the other hand, especially outside London, had lost their regulatory power.

That this training system worked astonishingly well in Britain is supported by the Continent-wide reputation that British artisans had for high-skills. One Swiss visitor said in 1766 that for a thing to be perfect, it has to be invented in France and worked out in England. Between 1750 and 1850, tens of thousands of English and Scottish engineers and mechanics swarmed to the Continent to install, maintain, and operate machinery. John Kennedy, a Manchester cotton manufacturer, stated the obvious in 1824: that it was impossible to use machinery "without having at hand people competent to its repair and management." But the manufacture of competence itself required institutions that made training contracts work, and hence institutions were important.

In other areas, too, the story cannot be told without institutions. Think of corruption: it is all good and well to have a judiciary and a tax administration that have formal limitations (the much-loved "constraints-on-the-executive" of the institutional literature), but how corrupt is it? Recent work on China shows how the Imperial administration, on the surface a well-working machine, was destroyed internally by local corrupt officials.^[10] In today's world, corruption is widely seen as the central obstacle to economic progress in nations as far apart as Nigeria, Pakistan, and Russia. It weakens the judiciary, unravels contracts and property, distorts the allocation of property, misdirects incentives and efforts, reduces the efficacy of the public sector in creating infrastructure, and in the end can threaten to extinguish the spirit of enterprise and risk-taking needed for technological progress and commercial development. Corruption is one area in which the world of ideology and beliefs feeds directly into the institutional framework and from there to economic development. If the ruling ideology is that corruption is morally unacceptable and if people who believe so know that this belief is widely shared, there will be little corruption (think: the Netherlands).

In 1700, Britain was still thoroughly corrupt: political favors were bought and sold, and people in power handed out patronage to their relatives and friends, and enriched themselves in sometimes shameless ways. Mercantilism was, among others, a system of rent-seeking, designed to extract resources from those with little political influence for the benefit of an elite in power.^[11] After 1750, corruption in Britain went on the decline. Under the influence of Enlightenment ideas, corrupt practices came under fire in the late 18th century. Radical critics raised questions of corruption and privilege at the expense of the well-being of the realm, and the ruling elite, whether under pressure from such critics, or because they themselves had been influenced by enlightened thought, reformed government.^[12] By 1830, the Duke of Wellington complained that as prime minister he had no patronage to hand out. There remained a few bad apples, but the post-1830 Whig reforms effectively disposed of those as well.

Corruption is the institutional dog that did not bark. It is perfectly reasonable to think of a hypothetical world in which predatory rent-seeking by a powerful elite could have expropriated the profits of innovative entrepreneurs in the Industrial Revolution, as was traditionally done in the medieval world. Instead, the British aristocrats who ruled the country in the 18th century let the entrepreneurs have their way and pocketed the capital gains on their real estate holdings and the interest on their railway bonds. Organizations such as the rent-seeking monopolies, set up in the age of mercantilism (think of the East India Company or the Bank of England), were either dismantled or turned into public institutions. Slowly but certainly rent-seeking institutions were weakened. By 1850 or so the country was as free of it as any nation had the right to hope for.

How then to think of the "ideas vs. institutions" debate? Oddly enough McCloskey and Acemoglu-Robinson both seem committed to a "one-or-the-other" mode. But it is not so. Institutions rest on beliefs. If we have rules against the sale of narcotics, it is because someone in power believes that such drugs are socially bad. When those beliefs change, the institutions (hopefully) adapt. Adaptiveness requires meta-institutions that can change the rules when beliefs and/or circumstances change. Britain's great success between 1750 and 1914 rested on the existence of such meta-institutions. When needed, Parliament set up a committee

that researched and investigated matters *ad nauseam* and then changed the rules. Slowly, and perhaps not always quite perfectly, British formal institutions adapted. But the same was true for private-order institutions: the rather sudden rise of country banks in the second half of the 18th century illustrates the high degree of adaptiveness of private-order British institutions; they were not coordinated or supervised by some central authority, and no political revolution was necessary to bring them into existence. Yet once the circumstances were suitable and opportunities arose, these banks emerged almost *ab nihilo*. They replaced the informal activities of local merchants, notaries, and attorneys who had previously intermediated in credit transactions.

Ideas mattered, but so did institutions. Their continuous interaction and coevolution in Europe from 1500 created Modern Science, the Industrial Revolution, and McCloskey's "factor of fifteen or more" by which income grew — and living standards by a lot more. How they did interact precisely remains one of the great challenges of historical social science. The greatest idea of them all, underemphasized by her, is the somewhat fuzzy and inconsistent set of beliefs we still call the Enlightenment. Without the ideas of Enlightenment philosophers, the growth-enhancing institutions established in the young American Republic are unthinkable. Where the Enlightenment came from and what it did to the economy should remain at the center of our agenda. Defending it against the cantankerous "critical theorists" who see the Enlightenment as a conspiracy of an 18th century white male imperialist elite remains of paramount importance.^[13]

Endnotes

[7.] Some of the following is based on Joel Mokyr, "The Institutional Origins of the Industrial Revolution." In Elhanan Helpman, ed., *Institutions and Economic Performance* (Cambridge, Mass.: Harvard University Press, 2008), pp. 64–119.

[8.] Jane Humphries, "English Apprenticeships: A Neglected Factor in the first Industrial Revolution." In Paul A. David and Mark Thomas, eds., *The Economic Future in Historical Perspective* (Oxford: Oxford University Press, 2003), pp. 73–102.

[9.] Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Cambridge: Cambridge University Press, 2005).

[10.] Tuan-Hwee Sng, "Size and Dynastic Decline: The Principal-Agent Problem in Late Imperial China 1700-1850." *Explorations in Economic History* (in press, 2014).

[11.] Robert B. Ekelund Jr. and Robert D. Tollison, *Mercantilism as a Rent-Seeking Society* (College Station: Texas A&M University Press, 1981).

[12.] See especially Philip Harling, *The Waning of 'Old Corruption': The Politics of Economical Reform in Britain, 1779–1846* (Oxford: Clarendon Press, 1996).

[13.] Max Horkheimer and Theodor W. Adorno, *Dialectic of Enlightenment*, ed. by Gunzelin Schmid Noerr (Stanford, Calif.: Stanford University Press, [1947] 2002).

2. John V.C. Nye, "How Do Ideas Matter?"

Don Boudreaux writes that reading McCloskey's *Bourgeois Dignity* – the second volume in a proposed tetralogy that rumor suggests might even blossom into a series of five or six books – proved to be a humbling experience. I know whereof he speaks. As a young graduate student with dreams of becoming a professional economic historian many decades ago, I was mightily impressed by McCloskey's earliest writings – at that time, in the form of journal articles, not books. No other journal articles managed to combine Deirdre McCloskey's rigor of argument and historical erudition with such elegant prose. That body of work served as an inspiration and a challenge to me as I began my career.

The book under discussion – a substantial part of her magnum opus – makes a profound and important point that is too often neglected by those who hold to overly simplistic versions of political, technological, and institutional explanations of modern economic growth. Modern economic growth, as the most significant event in world economic development, is a profound phenomenon that subsumes the British Industrial Revolution and covers the rise of a handful of countries to world dominance and the elevation of an unheard of share of the people of the globe to standards of living not attained by even the richest nobles of empires past.

McCloskey's deep insight is to argue that attitudes towards the bourgeoisie and support for their striving is more appropriately seen as growth's cause and central motor than the more obvious candidates that others in the profession have promoted. And the neglect of these ideas and of the rhetoric that made possible those changes accounts for the economics profession's blind spot in this one area. This is all to the good, and McCloskey makes her point vigorously and wittily while pushing aside all friend and foe who stand in her way.

But at this point I hope I will not sound ungracious if I register a few concerns that pick at the limits of McCloskey's thesis and that I hope will push her and her supporters to amplify and expand on these views.

McCloskey had long impressed me by promoting a viewpoint I had first heard from the great physicist Richard Feynman: It matters not how good a theory

sounds or how carefully you have constructed it; what matters is that one make every effort to refute said thesis and, only upon failing to do so, might you suspect that said theory is true. I fear however, that the thesis of *Bourgeois Dignity* still needs more stress testing before we should pronounce ourselves convinced.

McCloskey herself used to claim that good work must answer the questions: So what? (Why is it important?) and How big is big? (How large are the observable effects of a cause?) There is no doubt that the role of ideas and their significance in igniting the escape of humanity from the clutches of inevitable poverty is a Big Idea deserving attention. But how big was this effect, and exactly how it functioned, are less clear to me even having read this book and other work of McCloskey on what Boudreaux calls the decline of the dishonor tax in history.

Consider the general issue of attitudes. Does McCloskey mean by this the attitudes of the general population? Of the elites or the King? The clerisy or the chattering classes? Whose opinions matter to unleashing the power of the market?

To take a simplistic measure first: [A recent survey](#) of international attitudes towards the market^[14] showed that while people in the United States are more likely to believe that the free market is the best means to achieve prosperity than people in most of the countries surveyed, the pro-market attitudes of the American public were not as favorable as those from the Philippines or the People's Republic of China. China in fact topped the survey handily. In contrast, the French were amongst the most anti-market in the sample. While the differences between U.S. and French political economy might be explained by differences in attitudes towards market production, how is one to explain how the Philippines with its massively protectionist regulations or China with its attempt to promote growth through centralized party direction and nationalist ambition exhibit much greater superficial support for market economies? More significant perhaps is that, for all of the French people's disdain for the market, there is no doubt in most people's minds, nor in the rankings by those who score economic freedom, that China and the Philippines do worse than both the United States and France on any aggregate measure of market liberalism.

And exactly how does the transformation from illiberal mercantile nation to liberal modern state occur? Do ideas change first and then the economy or its laws? Do only some of the elites have to change first? Or do norms and attitudes change to accommodate the realities of successful growth rather than the other way around? Can we even believe it when scholars and politicians proclaim that a nation is pro-market?

My own research on Britain in the 18th and 19th centuries[15] showed that Britain -- although quick to proclaim itself a free-trade nation in the early 1800s -- was in fact more heavily protectionist and more reluctant to remove its most important long-standing trade restrictions than its rival France. France, in contrast, moved to lower tariffs and to reduce effective restrictions on trade more quickly than Britain, while its leaders publicly proclaimed their antipathy to unrestricted free trade and downplayed their dramatic liberalizations so well that generations of historians simply took the leaders at face value.

Moreover, other work[16] (including Mokyr and Nye, 2007) suggests that the British in the 18th century helped promote liberalism at first because members of Parliament wished to grab power from the landed aristocracy and enrich themselves through crony capitalism, all the while undermining property rights that upheld illiberal feudal restrictions. Is what matters attitudes towards the rising bourgeoisie or the collusion of high-minded thinkers with venal operators eager to profit from changing rules and norms? Is it the level of general support for the bourgeoisie or is it critical support for a few important legal changes that makes the big difference? Or is it legal change with technological innovation that does it? Or trade? Or education?

As McCloskey herself notes, the Dutch were first in creating a society that honored and promoted bourgeois values -- certainly more than the English in the 17th century. Yet the Dutch were also rans in the story of modern economic growth -- a prosperous, happy people that for the most part relied on the innovations and financial transformations of other nations after the 1800s. France and Germany seem to have played a bigger role in modern economic growth than they did, despite Holland's never being plagued with nasty dictators, long-term invasion, or unusual levels of corruption over the last few hundred years.

Must one honor and support the bourgeoisie? Or is it enough, as in China's case, to speak of promoting socialism with Chinese characteristics? After all, when the early sprouts of agricultural reform began in China, they started from the bottom up, with mere tolerance of early experiments rather than full-throated acceptance. Can the bourgeoisie thrive if the overall rhetorical environment is hostile but the legal one permissive? Or is general approval more important in transforming an otherwise oppressive legal and institutional regime? And what of cases where bourgeois approval is granted, but rules are held back for fear of ethnic clashes due to asymmetric success of visibly different minority groups?

If I have seem somewhat critical of McCloskey's work, it is not because I doubt her thesis. Ideas can and do matter. But exactly how and under what circumstances is still unclear. In particular, how do new ideas interact with the matrix of institutions, legal rules, and political bargaining that might constrain development or allow for its flourishing? It is high time for us to understand the role that ideas and culture play in shaping a nation's economy. But for that very reason it would behoove us to dig more deeply into the hows and whys of any such claims. We have seen enough examples in history, for example, where disdain for Confucian values that were first blamed for holding back China's development changed to uncritical belief in some quarters that those selfsame Confucian attitudes were now the engines of Asian success. The importance of promoting liberal, bourgeois-friendly reform for the vast portion of the globe that still suffers from poverty and want, and for not allowing existing institutions to crumble in the globe's leading economies, demands that we investigate as rigorously and thoroughly as possible the actual mechanisms by which growth is promoted and the life of a bourgeois nation sustained. McCloskey has given us a great work. Let us all see how much more there is to be learned about this transformative vision that Don Boudreaux has so rightly praised.

Endnotes

[14.] Catherine Rampell, "Chinese Love Free Markets as Much as Americans Do," *New York Times*, July 13, 2012; online at: <<http://economix.blogs.nytimes.com/2012/07/13/chinese-love-free-markets-as>

m u c h - a s - a m e r i c a n s - d o / ?
_php=true&_type=blogs&_r=0>.

[15.] J.V.C. Nye, *War, Wine, and Taxes: The Political Economy of Anglo-French Trade 1689-1900* (Princeton, N.J.: Princeton University Press, 2007).

[16.] J.V.C. Nye and J. Mokyr, "Distributional Coalitions, the Industrial Revolution, and the Origins of Economic Growth in Britain," *Southern Economic Journal*, July 2007, vol. 74, 1, pp. 50-70.

3. Deirdre Nansen McCloskey, *The Fruits of Humility, and Reading, in Economics: A Genial Reply to Don Boudreaux*"

I am humbled that Don feels humbled by *Bourgeois Dignity*. He is among the clearest thinkers in our crazy field, and has shown recently on many occasions—this being another one—that he grasps what are laughingly called my "ideas" better than I do.

Humility, is not, of course (as Don knows), Uriah Heep-type self-deprecation. It is part of the cardinal virtue of temperance. The novelist and philosopher Iris Murdoch once put it this way: "Humility is not a peculiar habit of self-effacement, rather like having an inaudible voice. It is selfless respect for reality and one of the most difficult and central of all virtues." [17] Don Boudreaux is a striking example in my own experience, as was another Don, Boudreaux's beloved colleague, the late Don Lavoie (1951-2001). Their names reflect it: They are "Don," in Cajun or French-Canadian style, not ordinarily the full Hibernian Donald, which means in Old Irish "world ruler," and was indeed once my own name.

Humility is a most startling quality in a professor of economics, a field not known for it. "The good man," writes Murdoch, "is humble; he is very unlike the neo-Kantian Lucifer... Only rarely does one meet somebody in whom [humility] positively shines, in whom one apprehends with amazement the absence of the anxious avaricious tentacles of the self." [18] Murdoch observes that humility is one of the chief virtues in a good artist and in a good scientist. Good scientists read a lot and listen a lot and experiment a lot.

As usual, I learn humility from Don. I learn for example how to square my belief

(1) that Alan Macfarlane was substantially correct in his great *Origins of English Individualism* (1978, of which I gave an admiring review in the *Journal of Political Economy*) that English people were "individualistic" in their personal and market lives, and therefore (as Don points out) that the careless North-Weingast and now Acemoglu-Robinson attribution of the invention of property rights to the Glorious Revolution is wrong with my belief

(2) that something did change radically at about the same time as the Revolution, the something being a new attribution of dignity and liberty to the betterers among the bourgeoisie.

After all, the society that Macfarlane praises as individualistic in the 13th century (and before: Macfarlane goes back to Anglo-Saxon times) was also deeply hierarchical. It is hierarchy, I argue—the Great Chain of Being, in the Elizabethan view, plain in every play of Shakespeare—which was the main obstacle to betterment. Equality before the law and equality of social dignity, perfected in the Blessed Adam Smith—"allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice"—was around 1700 a startling novelty. [19] The Leveller Richard Rumbold, facing the hangman in 1685, declared, "I am sure there was no man born marked of God above another; for none comes into the world with a saddle on his back, neither any booted and spurred to ride him." [20] The crowd in witness would not have agreed.

But medieval England—like medieval France and Italy and Germany—was a society of laws, and in particular of property rights. Don cites on the point Harold Berman (1983), another great book, and more than English in scope. He could have cited on the same point still another great 'un, Frederick Pollock and F. L. Maitland *The History of English Law Before the Time of Edward the First*, [21] two big volumes, which Armen Alchian read every page of, *twice*. Thus do real scholars work, who put the careless nonreaders among the neo-institutionalists in the shade.

How to reconcile Macfarlane with the new equality c. 1700? Easily now. Property laws are necessary but nothing like sufficient for the startling betterment that

begins in the Industrial Revolution and eventuates in the still more startling Great Enrichment of the past 150 years—all of which, embarrassingly for the North-Acemoglu orthodoxy at the World Bank (“Add institutions and stir”), occurred 600 years after property rights were well established in England (and in China, and in every organized society). A society can be “individualistic” in a thoroughgoing way but still honor only noblemen, not ordinary people having a go at spinning jennies and desktop computers.

I accept Don’s suggestive notion that “a sizeable dishonor tax” was placed on merchants. I would only add that it was placed on less-routine betterers, too, stifling invention, as the multiple taxes collected every few miles on the Rhine stifled ordinary specialization and trade; and that the tax was not the clean VAT of the economist’s imagining but a cascading tax on every entry into a market or every innovation at every stage of production. In 1621 the scholar and cleric Robert Burton in England wrote fiercely, in *The Anatomy of Melancholy*, “What’s the market?... A vast chaos, ... the theatre of hypocrisy, a shop of knavery, flattery, a nursery of villainy... It is not worth, virtue,... wisdom, valour, learning, honesty [which meant then “nobility”], religion, or any sufficiency for which we are respected, but money, greatness, office, honor, authority; honesty is accounted folly.”[22] If many people believed this, and acted on it—as to this day some of the clerisy do—a modern economy would be impossible. If dignity was not accorded to market transactions and to the betterments that the bourgeoisie brings forward to the test of profit, and if the liberty to trade and to invent were scorned, and if liberty to compete were not the market test of anyone’s betterment, then the modern world would have stopped cold in 1621.

And I like Don’s idea that only creative *destruction* is radical enough to produce a Great Enrichment. I think it may answer his own question of why repealing a tax on merchants would lead to *enormous* betterment. (The trouble is that the removal of mere Harberger triangles, such as characterize all explanations of the modern world that do *not* focus on creative destruction, such as exploitation or property rights or coal, don’t have the oomph, as I argue in the book, to explain the Great Enrichment. Not even close.) Don writes, “Repealing the dishonor tax on relatively simple labor-saving innovation plausibly also made more radical species of innovation more socially acceptable and, hence, un-

leashed this radical innovation so that it could bring its manifest blessings to the masses.”

But I think perhaps he understates how very angry innovation made the elite and its allies among the non-elite. To get a sense of it, though, one merely has to look at present-day NIMBY attitudes and dogmatic environmentalism and what the Norwegians in 1917 called a “braking law.” The law expressed in plain form the conservative-left-and-right worry about “capitalism” that social democrats and political reactionaries had then and still have: “Every headlong development is dangerous.... The many new factory centers need to have time to settle down peacefully and learn to lead and develop their private conduct and the conduct of the local communities.”[23] Such a law would have been impossible in 1917 in the wild United States. Yet by now environmental objections to creative destruction such as the Keystone XL Pipeline have created braking laws even in the second home of *laissez faire*. The left and right join in opposing the future—the one because it is not a planned future and the other because it is not identical to the past.

In 2013, for example, some companies in the United States had taken brilliantly bettering advantage of smart phones. The Uber X startup offered rides in ordinary cars to smartphone users (as did the Lyft and the SideCar), Airbnb offered New Yorkers access to private homes as hotels, and Aereo allowed mobile devices to pick up local TV signals. Yet all three were promptly attacked by American regulators. Unsurprisingly, the regulators, paid with your tax dollars, dears, were concerned that the electronic revolution would disturb the profits on conventional taxis, on hotels, and on copyright holders of TV programs.[24]

And of course I side with Don’s remark that he doesn’t understand the idea that ideas don’t matter. After all, as a small example, the materialism (deriving in part from Marx) that dominated intellectual life from about 1890 to about 1980 was an idea. The idea that regulation of the economy is a good thing is an idea. The idea that merchants and inventors are evil is an idea. “Perfect competition” is an idea in economics, encouraging anti-market speculation that has been fruitful in Nobel prizes. Socialism is an idea. And so is its enemy, the liberal plan of equality, liberty, and justice, long may it prosper.

Endnotes

[17.] Iris Murdoch, “The Sovereignty of Good over Other Concepts,” Leslie Stephen Lecture, 1967, in Murdoch, *The Sovereignty of Good* (London: Routledge, 1970, 1985), p. 95.

[18.] *Ibid.*, p. 103.

[19.] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Glasgow edition. Campbell, Skinner, and Todd, eds. Bk. IV, Chp. ix (Indianapolis, Ind.: Liberty Classics, 1976, 1981), p. 664. See also online: Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* by Adam Smith, edited with an Introduction, Notes, Marginal Summary and an Enlarged Index by Edwin Cannan (London: Methuen, 1904). Vol. 2. <http://oll.libertyfund.org/titles/119#Smith_0206-02_396>.

[20.] Quoted in Henry Noel Brailsford, *The Levellers and the English Revolution* (Stanford: Stanford University Press, 1961), p. 624.

[21.] Frederick Pollock and F. L. Maitland *The History of English Law Before the Time of Edward the First* (Cambridge: Cambridge University Press, 1895). See also Sir Frederick Pollock, *The History of English Law before the Time of Edward I*. Reprint of 2nd edition, with a Select Bibliography and Notes by Professor S.F. Milson. (Indianapolis: Liberty Fund, 2010). 2 vols. <<http://oll.libertyfund.org/titles/2312>>.

[22.] Richard Burton, *Anatomy of Melancholy*, 1621, spelling modernized. Project Gutenberg: <http://www.gutenberg.org/files/10800/10800-h/10800-h.htm>.

[23.] Francis Sejersted, *The Age of Social Democracy: Norway and Sweden in the Twentieth Century* (Princeton: Princeton University Press, 2011), p. 29.

[24.] Ameet Sachdev, “When Upstarts Launch into Uncharted Space,” *Chicago Tribune*, Business, Oct 13, 2013, Sec. 2, pp. 1, 4; and for an uncritically pro-taxi view, Jon Hilkevitch, “City to End Raid-Shares’ Easy Street,” *Chicago Tribune* Feb. 3, 2014.

3. THE CONVERSATION

1. Donald J. Boudreaux, "Skyscrapers, Wrecking Balls, and Gumption"

In their eloquent responses to my lead essay, both Joel Mokyr and John Nye say little with which I disagree. (My apologies to readers who are hoping for a tense, take-no-prisoners intellectual ink-bath.) The only claims worth disputing with any vigor are Joel's charges that Deirdre, in explaining the industrial revolution, "rejects the notion that 'institutions' mattered," and that I accept such a rejection of the significance of institutions.

Because Deirdre is actively participating in his forum, I'll let her speak for herself. Yet I have never interpreted her as denying the significance of institutions or as jettisoning institutional analyses. But even if I profoundly misread Deirdre, I know for certain that I myself emphatically believe that institutions matter, and matter a lot. Fulsome and widespread respect for merchants, entrepreneurs, and innovators will yield nothing if too many formidable predators are on the prowl. Ditto if too many respected elders or officials have the power and interest to thwart progress or to attempt to channel economic activities in certain favored directions and away from disfavored ones.

Of course, ideas about predation and political interventions affect the extent and frequency of such activities – but so, too, do institutions. For example, a formal constitution that fragments political power can stand as an obstacle to the dangerous concentration of such power. Likewise, a formal or even informal arrangement that gives different courts overlapping jurisdiction with each other can serve as a check against judicial corruption and as a competitive spur to productive innovations in formal legal proceedings.

Pro-bourgeois, innovation-friendly ideas require tolerably fertile institutional soil in which to take root and bear fruit. They cannot spark and sustain mass flourishing on their own.

Changing analogies: I often think of ideas, skills, individual initiative, and creativity as the actual activities that construct skyscrapers of prosperity, and bad institutions as powerful wrecking balls that knock these

skyscrapers down whenever they begin to rise. Obviously, as long as such wrecking balls swing in the direction of rising skyscrapers, no skyscraper will be built, regardless of the gumption and learning of architects and construction workers. And eventually, even the most ambitious and hopeful architects and construction workers will stop even trying to build skyscrapers. Why bother?

Given human nature – that is, given that humans are self-interested, incurably ignorant of many relevant details of any situation, and prone to irrationality, myopia, and envy – the prevalence of such wrecking balls is likely a default reality. The specific institutional manifestations of such a default reality vary over space and time, but in all cases they discourage large accumulations of capital, robust innovation, and economic change. Pro-growth institutions, therefore, are those that penalize or otherwise raise the costs of predatory behavior. These institutions take us human beings as we are – warts and all – and change, not us, but the material incentives that we face. They manage to temper our ability to swing wrecking balls.

But again, while growth cannot occur if wrecking balls swing, the absence of swinging wrecking balls – that is, the presence of good institutions – is not sufficient to make growth happen. Personal characteristics such as gumption, risk-taking, and tolerance for the material successes of others are necessary to rouse individuals actually to do what must be done to create widespread prosperity. Admiration and applause for these and other bourgeois virtues supplies the missing ingredients for growth.

John Nye, of course, is correct. More hard-headed analyses must be done to clarify important details. Exactly what *sort* of ideas matter most? Are some people's ideas generally more influential than other people's ideas? (Hayek, for one, said yes: the expressed ideas of intellectuals – that is, the ideas expressed by "second-hand dealers in ideas" – are especially important. [25])

And is there a relevant difference between the ideas that people consciously hold and the ideas that actually govern people's behaviors? Deirdre (I think) would say that the former governs the latter. But maybe the relationship between ideas consciously held and expressed and the ideas that actually fuel and steer human actions is more complex than a simple one-direction causal chain from "ideas expressed" to "ideas

consciously held" to "ideas that govern human actions." (If there *is* such greater complexity, we might here have a clue to why the still-poor Filipinos express greater enthusiasm for free markets than do the long-rich Americans.) And what is the role of time in nurturing ideas and in transforming those ideas into mass flourishing?

Yes. Much more serious, careful research and thinking must be done (and always with minds as scientifically skeptical as humanly possible). Fortunately, not only do the norms of scientific inquiry today prompt such painstaking further inquiry, so, too, do the institutions of scientific inquiry.

Endnotes

[25.] F.A. Hayek, "The Intellectuals and Socialism," *University of Chicago Law Review* (Spring 1949):
<<http://www.mises.org/etexts/hayekintellectuals.pdf>>.

2. Deirdre Nansen McCloskey, "Ethics Founds Institutions"

These are all my dear friends, and so I am not going to adopt the convention of referring to them as Professors X and Y. They are Don, Joel, and John to me, close allies in most of our scientific projects, and in many of our personal ones, too. When my replies to them are sharp, it is because we can all rely here on mutual love and respect regardless of our minor disagreements. Only a seminar based on love can flourish, because it can get down to the disagreements frankly and quickly, improving everyone's evidence and logic in the end—a point I have been trying to get across to my colleagues for decades.

I entirely agree with Joel (I say) that "Without the ideas of Enlightenment philosophers, the growth-enhancing institutions established in the young American Republic [for example] are unthinkable." I say so at length in the third and final volume of the trilogy *The Bourgeois Era, Bourgeois Equality: How Betterment Became Ethical, 1600-1948, and Then Suspect* (forthcoming 2015).

Joel and Jack Goldstone and Peg Jacob and a few others—maybe John Nye in some moods—constitute a tiny group of economic historians (we joyfully welcome Don Boudreaux to the group) who believe that ideas mattered greatly. Joel, for example, has emphasized that the idea of scientific progress for practical fruit promulgated by (the hideously corrupt) Francis Bacon inspired Western scientists for centuries. If we are correct in our ideational idea, economics and history will need to be rewritten, massively, to acknowledge the role of ideology in human affairs. Language will come to be seen as decisive, not as mere cheap talk derivable from interest in the style of Friedrich Engels or George Stigler. Creativity will undermine the routine predictabilities of Samuelsonian and Marxist economics.

But even for the young American republic, to recur to Joel's opening claim here, it was not the "institutions" that mattered, but an ethic of republican duty among Federalists and an ethic of popular sovereignty among Democrats. The ethics were themselves fruits of the ideas of the Enlightenment—especially, I would emphasize, the Scottish one. It is through the (Scottish) Enlightenment, out of Dutch-English Locke, that the Founding Brothers came to believe, as Adam Smith put it, in "allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice" (*Wealth of Nation*, 1776, Bk. IV, Chp. ix, p. 664). Believing it, and willing to pledge their lives, fortunes, and sacred honor in aid of the project, little hung on whether Congress was unicameral or the Senate elected by direct vote.

I am disappointed, therefore, that one of my little group of colleagues in the ideational view wants to defend the World Bank orthodoxy about institutions, derived from Doug North (whom we all love, but with whom some of us disagree). I devote four chapters in *Bourgeois Dignity* to criticism of the Northian orthodoxy, going far beyond the potted summary of the criticism that Joel gives in two sentences. Joel wants the argument to be simple, wham, bam. But it's not. The deep and illiberal errors in the neo-institutional approach are not summarizable in one simple point about the history of English law. More broadly, as I argue at length in the book, institutions are reducible to ethical commitments, themselves not to be seen as "constraints" (as the Samuelsonian is required always to say) but as a human dance of meaning. "O body swayed to

music, O brightening glance,/ How can we know the dancer from the dance?"[26]

Observe while we're at it, though, that Joel does not reply to the historical point in question, namely, that property rights were very good in England many centuries before the Industrial Revolution or the Great Enrichment, a point that Boudreaux emphasizes. Nor does Joel drop the other historical shoe, namely, that that property rights were good in a great many societies—for example in technologically advanced China. But about North and Acemoglu and Greif there are 20 or so shoes to be dropped.

The Northians regularly save their hypothesis by extending it at the level of abstract definition to All Human Action. That's the burden of Joel's opening complaint that I am speaking as though "*formal* institutions" were what was at issue. Thus the North/Acemoglu theory says that All Human Action is influenced, some, by All Human Action. Startling.

But having raised their theory to the level of a tautology (similar to tautological definitions in Samuelsonian economics of "rationality" or in Marxist economics of "class interest"), when push comes to shove the neo-institutionalists descend quickly to what Joel immediately describes as "a huge matrix of incentives." We are back to North's original definition of "the rules of the game," and Samuelsonian "incentives." Neo-institutionalism is Samuelsonian economics in historical drag.

Let's test it. Joel proposes English apprenticeship as an institution crucial for the Industrial Revolution. But wait. Apprenticeship was Europe-wide—not universal, but lively in Italy, say, and extremely lively in Germany. Joel writes, following his student Avner Greif down this blind alley, "In the small artisanal communities of England's provincial towns people knew one another." As long as we are being cute and snappy in reply to complicated scientific arguments, I say: And they didn't in Germany?

I agree that English (not Scottish?) mechanics after their apprenticeships (really? Formal apprenticeships, and not mere experience on the factory floor?) were famously competent, something that Peg Jacob, Jane Humphries, and Joel have made us aware of. But isn't this a result, not a cause? The English apprentices were *not* judged especially competent at machines in the 17th

century, not at all. It was Dutch engineers in those days, and in theorizing, the French and even the Germans. Wasn't the flourishing of mechanical invention the cause, not the consequence of men skilled out of their apprenticeships? One could hardly have new machines for making, say, screws in great numbers without some man like Henry Maudslay (1771-1831) already educated in making machines. But where did such an elite of mechanics come from? In Holland and Britain and the United States it came from ordinary people—that being the only way to achieve a sufficient mass of technically literate folk, oriented not towards the production of rare luxuries or military victories but the production of ordinary goods for ordinary people. The problem in, say, France (as Jacob has argued persuasively in her latest book) was that the engineers came from the younger sons of its large nobility, such as Napoleon, educated for military careers (Jacob 2014). [27] In Britain by contrast a promising *working*-class lad would become a bourgeois master of new machines and new institutions. The bourgeois career in Britain, like Napoleon's army or Nelson's navy, was open to talent. Maudslay, two years younger than Napoleon and 13 younger than Nelson, began work at 12 years old filling cartridges at the Royal Arsenal, becoming then a blacksmith, and by age 18 a locksmith, and more. Joel is taking as given a structure that in fact had a vibrant modern history, driven by the new and bizarre ethic of human equality of liberty and dignity, in law and in esteem. The new equality let the ordinary, and the extraordinary, have a go. (The "having a go" is a British idiom, used in this application by the economic historian Peter Mathias.) The having-a-go then produced in the Great Enrichment of the 19 century a veritable idea-explosion—an explosion of ideas for example about nitroglycerine, dynamite, gelignite, TNT, and C-4.

The "spontaneous, self-enforcing contracts" that Joel speaks of as crucial for the institution of apprenticeship depend on ethics. The point is that the ethics goes far beyond the Prudence-Only view retailed by Joel in Samuelsonian style: "Opportunistic or immoral behavior toward one's apprentices would be punished, not only by drying up the supply of would-be youngsters, but through a bad reputation that could spill over to creditors, customers, suppliers, and so on." Yes, true. But these are humans we are construing, not rats or pigeons, and humans care about their ethical standing.

It is built into us by evolution, in contrast to other great apes. To stop at incentives, as the Northians do, reminds me of the courses on business ethics that say, “Be good because it is profitable.” That’s not ethics, and it’s not human, and it’s far short of what institutions depend on.

The ethical foundations on which Joel’s “institutions” rely are well illustrated by his own example of corruption. On being corrupt I am fond of pointing out that my city, Chicago, was appallingly so when in the late 19th century it was the fastest growing city in the world. It still in 2014 beats Des Moines and Minneapolis hands down. Joel surrenders without realizing it to the ethical case when he notes that “If the ruling ideology is that corruption is morally unacceptable and if people who believe so know that this belief is widely shared, there will be little corruption (think: the Netherlands).” (At any rate the Netherlands in 2014. I am not so sure that the Netherlands in the Golden Age was so very free of corruption in building contracts.) Referring to the Sherlock Holmes story, Joel remarks, “Corruption is the institutional dog that did not bark.” No it isn’t. The dog is *ethical*, and as he himself affirms, it *did* bark, against the Old Corruption.

It won’t suffice, in other words, as the World Bank nowadays recommends, to add institutions and stir. You can set up British-like courts of law, and even provide the barristers with wigs, but if the judges are venal and the barrister have no professional pride and if the public disdains them, the introduction of such an institution will fail to improve the rule of law.

Acemoglu and Robinson report on an attempt to curb absenteeism among nurses in India by introducing the institution of time clocks.^[28] The economists in charge of the experiment were sure that the bare incentives of the “right institutions” would work. They didn’t. The Indian nurses conspired with their bosses to continue not showing up for work. Acemoglu and Robinson draw the moral that “the institutional structure that creates market failures” is what went wrong (Acemoglu and Robinson 2012, p. 450). But the continuing absenteeism was not about “institutions” or incentives. These had been confidently applied by the economists relying on the World Bank orthodoxy, yet had miserably failed. The failure was rather about a lack of an ethic of professionalism among the nurses,

of a sort that, say, Filipino nurses do have, which is why they are in demand worldwide.

Acemoglu and Robinson do not see that what failed was the new theory of the economics profession of add-institutions-and-stir. “The root cause of the problem,” they conclude, was “extractive institutions.” On the contrary, the root was ethical failure, in the presence of which no set of incentives will work well, and under which extractions will persist. The institutions—the time clocks and management practices—and the “incentives” they are said to provide, as though to rats in a maze—were not the problem. Defects in ethics and in the Impartial Spectator and in the professionalism of the nurses were.

The crux of the Industrial Revolution and the Great Enrichment is ideological change bringing a new Impartial Spectator into the habits of heart. Institutions are mere frosting if they lack the cake of ethical custom, from the bus driver taking professional responsibility for the plans and the lives of the 60 people under his care, to the politician resisting the well-placed bribe from a highway construction firm. New egalitarian ideas, in which bus drivers and politicians, professors and housewives, felt themselves in northwestern Europe empowered to be equally responsible, broke the old cake of custom. Surprisingly, treating people as free and honorable made us all immensely wealthy. We already had the institutions.

Endnotes

[26.] W.B. Yeats, "Among School Children" (from *The Tower*, 1928).

[27.] Jacob, Margaret S. 2014. *The First Knowledge Economy: Human Capital and the European Economy, 1750-1850*. New York: Cambridge University Press.

[28.] Acemoglu, Daron and James Robinson. 2012. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown Business.

3. Deirdre Nansen McCloskey, "How Big Were Ideas?"

"The thesis of *Bourgeois Dignity*," John says, "still needs more stress testing before we should pronounce ourselves convinced." *Bien sûr*. Much more scientific work remains to be done, and in "science" I include the humanities. I observe only that it is more true of the materialist arguments, such as those depending on the improvement of property rights after 1688 (small) or the profits of the slave trade (smaller). The materialist arguments can't come close to explaining the Great Enrichment. That much I think we agree was pretty much established by *Bourgeois Dignity*. The third (and final) volume, *Bourgeois Equality* (forthcoming, *deo volente*, 2015), provides more stress testing of an ideational hypothesis that all four of us to varying degrees favor.

So I see convergence. The unadorned neo-institutional notion that Incentives Are All needs sharp revision, admitting the force of words, ideas, rhetoric, ethics, the habits of the heart and mind and lip. But as John and Joel argue, surely existing structures do matter. What is disturbing in much of the literature of neo-institutionalism is that it reduces such ideas and language to power and incentives, immediately. We circle back to Marxist and Samuelsonian materialism, which at any rate as a sufficient cause Don, John, Joel, and Deirdre wish to deny.

John asks, "Whose opinions matter to unleashing the power of the market?" He is correct that the answer depends on the interaction with existing institutions of, say, power—though I am not surrendering the point that the institutions in turn depended on ethical persuasions. Clearly, in England at first only the elite and their clerks mattered, when public opinion counted for less than it came to count in the 18th century. In Holland during the Golden Age a wider public opinion counted. By the 19th century in Europe the invention of the steam press and cheap wood-pulp paper made public opinion powerful indeed, forcing governments into wars, for example. Ibsen talks repeatedly of the power of the press in Norway in the late 19th century, by no means always sympathetically.

Opinions, especially opinions declared to a survey researcher, are of course sluggish. The French grew rich back when they admired entrepreneurs (admitting that there is, at any rate according to George W. Bush,

no word for the concept in French). And opinion-in-questionnaire is not the same as opinion-in-action. Saying that one is "anti-capitalist" can range in action from violent overthrow of private property to regulation of the quality of bread in Paris. I can offer my own example of the paradox of opinion, namely, Sweden. Americans left or right regard Sweden as "socialist." Swedes regard the land of Hollywood and the Koch brothers as capitalist hell. Neither opinion—though heard frequently—is correct. Sweden is capitalist (to use the misleading word we seem to be stuck with) and the United States has a larger social safety net than its expressed ideology of free markets would lead one to expect.

Opinion-in-action is what John is pointing to when he notes that "France ... moved to lower tariffs and to reduce effective restrictions on trade more quickly than Britain, while [French] leaders publicly proclaimed their antipathy to unrestricted free trade." But what nonetheless moved the dial was opinion, ideas, in this case elite opinion-in-action, traceable no doubt in the elite's correspondence. There's something John could do to resolve the issue—look into the privately expressed opinions of Chevalier and Rouher in 1859; or look into their educations in economics; or ask whether they had read *Bastiat*.

John suggests that norms and attitudes might change to accommodate the realities of successful growth rather than the other way around. Materialism here is *redux*, but of course it is sometimes true. The present enthusiasm for markets in China would not be so great if real income were not growing there at upwards of 10 percent per year. "Is what matters attitudes towards the rising bourgeoisie or the collusion of high-minded thinkers with venal operators eager to profit from changing rules and norms?" Doubtless both, but when elite opinion is arrayed strongly against markets, expressed at every level of society, as was the case in Shakespeare's England, the thinkers matter. That is a point argued in *Bourgeois Equality*—that before the 18th century all opinion, elite and common, was hostile to betterment and markets.

Indulge me in one sharper reply on a smaller point. "The Dutch," John declares, "were also-rans in the story of modern economic growth – a prosperous, happy people that for the most part relied on the innovations and financial transformations of other nations

after the 1800s.” Joel likewise has said that the Dutch become conservative, and “played third fiddle in the Industrial Revolution.” From this Joel concludes (in personal correspondence) that there must be something amiss in my emphasis on bourgeois liberty and dignity. After all, the Dutch had both early.

It is unfair in debating terms for me to note that in the *forthcoming* book, *Bourgeois Equality*, I stress that the bourgeoisie is capable of reversing its betterment by making itself into an honorable hierarchy, which is one way of describing what the Dutch regents did in the 18th century. But we are not debating here. We are trying to discern the truth. In aid of the truth I want merely to point out that John and Joel are adopting in their remarks the mistaken convention that the Dutch “failed” in the 18th century. They did not. Like Londoners, they gave up their industrial project in favor of becoming bankers and routine merchants. National borders do not always compute. If one is to blame the Dutch in the 18th century and early 19th century for conservatism, one will also have to blame the Southern English, who also turned to specializing in mere trading and financing, giving up their industrial might. And London and the Home Counties, also like the Dutch, though at a very different level to start with, adhered to distinctions of rank that were less important in the industrial North.

Joel’s inertial lemma—that once initiated, a social change must be permanent or else it did not exist in the first place—makes graver problems for his own emphasis on science as the initiating event than for mine on bourgeois dignity. After all, the Dutch in the 17th century had invented the telescope and the microscope among numerous other scientific devices, such as the pendulum in clocks. Why did not inertia propel them, then, into the Industrial Revolution and the Great Enrichment?

“And what of cases where bourgeois approval is granted,” John continues, “but rules are held back for fear of ethnic clashes due to asymmetric success of visibly different minority groups?” Yes, of course. But that is best treated in response to Don, which see.

4. Deirdre Nansen McCloskey, "Doing the Dishes with Ethics and Institutions"

I am astonished at Don’s ability to find just the right metaphor to make a scientific point. In his first response he supplied us with the suggestive image of the tax on market/bettering transactions, suggestive indeed of ways of measuring it. The tax should show up as profit opportunities or price differentials, properly controlled for other sources such as transaction and transport costs. Pick a place with evidently strong distaste for innovation and markets—the small Norwegian seaport in Ibsen’s first bourgeois play, *Pillars of Society* (1877), would serve, a town which the conservative schoolmaster Rørlund commends: “We ought to thank God, here in this town, that we live as we do.... We have to stand firm against all this experimentation that a restless age would like to foist on us” (act 1). Measure therefore the shadow of the tax in profit opportunities disdained.

Now Don supplies us with the metaphor of the skyscraper and the wrecking ball, helping us—well, me—to admit that institutions, of course, have to matter *some*. (The reason I am so hostile to the vapid assurance that “institutions matter” in recent economics is that it pointedly ignores the ethics required for an institution to be anything but a dead letter. “No ethics, please. We’re economists.” Institutional analysis when not accompanied by serious inquiry into ethics and rhetoric is just a return to Max U unimproved (the character imagined maximizing under constraints) .)

Don assigns Good Institutions the role of preventing the wrecking balls from swinging. Yes. But I would merely add that a change in attitudes towards skyscrapers can help prevent them, too. Economists are inclined to set aside changes in attitudes, in the style of the old paper by Becker and Stigler, “De Gustibus Non Disputandum” (*The American Economic Review*, Vol. 67, No. 2 [Mar., 1977], pp. 76-90; [PDF](#)).^[29] I approve of the humanistic use of Latin in the paper’s title. But I do not approve of the anti-humanistic message, which is that tastes, attitudes, ideology, ethics, and rhetoric are all given, and outside economics, and probably pretty stable anyway. No they aren’t. My favorite, bizarre example these days is ... dog poop. Two decades ago you didn’t pick up your dog’s leavings. (In Paris you still don’t.) You took your dog over to the neighbor’s yard,

let him do his duty, and then walked away. Now everyone—for example in my very doggy Printer’s Row in Chicago—picks up. Ethics changed, quickly. A more serious example is the change in attitude created by the feminist movement about jobs for married women (something I’ve written a little on: yes, the Pill; but also ideological change, and amazingly quick). The “absence of swinging wrecking balls” is not quite, as Don claims, merely about “the presence of good institutions.”

In accepting John’s suggestions, Don notes that I am fuzzy about the relation between ideology and action. My only excuse is that everyone is, except people who take up a corner solution—either a Hegelian idealistic one or a Marxist materialist one. But I do not accept John’s (perhaps?) implied position, which Don, I believe, would reject, too, that we cannot unfuzz the matter in actual historical cases by exercising the comparative breadth that John brings or the historical depth that Joel brings.

I see a paper we four can write together, called “Ideas Matter Deeply, Institutions Superficially, But Both Matter.” Don can supply us with our ruling metaphors, John with our comparative scope, Joel with telling details from British, Irish, and a half-dozen other histories. I’ll do the dishes.

Endnotes

[29.] Becker and Stigler, “De Gustibus Non Disputandum” (*The American Economic Review*, Vol. 67, No. 2 [Mar., 1977], pp. 76-90; [PDF](http://econfaculty.gmu.edu/wew/syllabi/Econ811/JournalArticles/StiglerBeckerAER.pdf)). <<http://econfaculty.gmu.edu/wew/syllabi/Econ811/JournalArticles/StiglerBeckerAER.pdf>>.

5. John V. C. Nye, "Which Came First: Ideas or Growth?"

Readers seeking bloodsport may be disappointed that we all agree on so much, but anyone seeking to understand how material progress has been obtained in the past and might continue to in the future will see how our refinements at the margins open up vast areas for further research.

Both Don and Deirdre acknowledge the value of my speculative questions, but feel that their case is sufficiently robust that discussion of How Ideas Matter should be thought of as next-level issues to advance a mature thesis. But, in fact, I still want to hear an explicit chain of reasoning -- linking the timing of attitude changes in Britain to their influence on politicians or entrepreneurship to the laws as enforced to industrial take-off -- that would explain why Britain was first to industrialize and was so much more successful than the Dutch. Deirdre claims that the Dutch became an honorable hierarchy. But how are we to know when that hierarchy is or is not destructive of growth? As the example of China suggests, neither the formal rhetoric of the Communist Party nor its actual functioning in the 1980s suggested respect for bourgeois values. Yet in that case, merely opening the door to toleration of capitalism seems to have worked miracles. Were the Dutch really so much less liberal than Deng’s China? It would seem that a Dutch nation with advanced understanding of commercial and market liberalism seems to have been rather easily held back by seemingly smaller changes in norms and rules. Yes, the Dutch at least acquired prosperity, but they were leaders in the prosperity game before the advent of modern economic growth and did little to lead the way in promoting those ideas after industrialization.

Or take the French case: the relevant figure I claim was neither Chevalier nor Rouher but Napoleon III. It was he who presided over the decades when French growth began its ascent, and it was his regime that carefully nurtured liberal ideas in a way that allowed France to perform well even if one takes the most pessimistic assessment of 19th-century France as an also-ran. Someone following on McCloskey’s work might point to Louis Napoleon’s exposure to liberal ideas while in exile in Britain as being formative of his later policy decisions and as a good example of the Bour-

geois Values thesis. Yet if Louis Napoleon was a liberal, he was certainly not a consistent one. After all, while Napoleon III promoted universal male suffrage, he did it to facilitate his becoming a dictator for life. Then, having become a dictator, he made himself Emperor. Yet his empire was successful in promoting European free trade, modernizing Paris, promoting investment banks, liberalizing corporation law, and spurring mechanical invention. All in a rather un-bourgeois top-down fashion. Was he successful despite his inconsistency, or because he saw that his interventions made liberal reform more possible than a less hypocritical and openly democratic course of action?

I think that ideas matter most where the political system privileges the opinions of a few over the many. In those cases, accidents of influence and upbringing may matter a lot. In contrast, the more liberal and competitive is the political system, the more likely it is that a nation which has not yet become a productive market economy will be mired in factionalism and rent-seeking, even when – as in the case of the Philippines – the general public attitude supports and even admires market ideals in the abstract.

I still do not understand when ideas should be seen as either necessary or sufficient conditions. We have not discussed the problem of individualism and the nuclear family as necessary if not sufficient conditions for bourgeois market success. While individualism is not sufficient for success, some may be necessary. To this day, countries with strong clan and extended family ties – as we see in the Middle East or the Philippines – find it difficult to effectively support liberal norms even when the formal rules mostly mimic those of the developed West. China seems to have lost the entanglements of multigenerational clans that were characteristic of the society even up to the late 19th and early 20th centuries. But change came after many horrendous interventions, some unintended (as the Second World War) and some following from the draconian policies of different rulers. If this factor is significant, then the Catholic Church, and its promotion of the nuclear family many centuries ago, may have made a greater contribution to the eventual rise of Europe as a whole than the timing of attitudinal changes in early modern England.

The problem of liberal ideas emerging from rapid growth (rather than vice versa) also comes up when

comparing China and Russia over the last two decades. Certainly, the modern Chinese leadership tends to view the experiments of Russia with democracy and an open espousal of liberal ideas through a relatively free press as a failure to be avoided, and President Putin also seems to agree. Yet an illiberal Putin and an oil-rich elite seem to have spawned a new liberal middle class in the very cities – Moscow and St. Petersburg – that benefited from cronyism and unequal growth.

If timing matters, then this also keeps alive the case for institutions and property rights because the specifics of those rights and how they were exercised were quite different in early medieval England and 18th-century Britain. Property rights may be most progressive in very specific political circumstances with appropriate material and/or attitudinal support. I deeply want to believe that ideas were the key element in the Industrial Revolution. Promoting reform would actually become easier. But we are a long way from understanding when ideas cause growth or vice versa.

6. Deirdre Nansen McCloskey, "Some Explicit Chains of Reason Linking Ideas to Growth"

John wants “an explicit chain of reasoning -- linking the timing of attitude changes in Britain to their influence on politicians or entrepreneurship to the laws as enforced to industrial takeoff -- that would explain why Britain was first to industrialize.”

That’s not hard, since there are numerous chains lying about all over the place. One is explored in vol. 3, *Bourgeois Equality*, showing that elite opinion early in the 18th century shows many signs of shifting from an essentially Elizabethan political economy to a Younger Pitt version. As to the link to *laws as enforced*, a result (which I don’t much explore: I can’t do everything!) was, for example, that courts in Britain stopped enforcing guild rules. You can see how it would lead to betterment directly, and this in contrast to say Germany or France. At the same time, as Peg Jacob points out, petitions for patents start bragging about labor *saving*, instead of “job creation” (the Mercantilist Mind—in the amiable Bob Reich for example—has not much advanced beyond Elizabeth I). You can see how such

bragging might lead to more betterment on the table. Then gradually the case for free international trade, as John has noted himself, becomes respectable (and indeed the Blessed Adam Smith also and even more strongly inveighs against domestic monopoly). Speaking of Pitt the Younger, had he not had to manage a war against the French he would have introduced actual free trade decades before it happened. And as to entrepreneurship, isn't it obvious that someone like Samuel Arkwright would have been crushed in 1560, and only a little less crushed in 1660? Can one imagine the serried ranks of betterers after 1760 coming out of Elizabethan or even Restoration England? No: they would have been sneered at, and then actually stopped—and were if they had a go. John knows the history of the English inventor of the knitting frame.

But to proceed to the other half of John's sentence as quoted -- "and was so much more successful than the Dutch" -- why am I making no impression on the easy and mistaken conviction by John (and I suppose still Joel) that the 18th- and early-19th century Dutch were not "successful"? I repeat: if so, East Anglia, London, and the Home Counties generally were also not "successful." Charles Dickens had not the slightest idea of how industrialization was going, because he lived in London and hardly ever ventured North. So his portrayals of economic life are of merchants and bankers and other Londonish trades. John sticks then with "the Dutch failed" in "It would seem that a Dutch nation with advanced understanding of commercial and market liberalism seems to have been rather easily held back by seemingly smaller changes in norms and rules." "Held back" the way London and environs were "held back"?

One might well suppose, as John does about China, that "neither the formal rhetoric of the Communist Party nor its actual functioning in the 1980s suggested respect for bourgeois values. Yet in that case, merely opening the door to toleration of capitalism seems to have worked miracles." *Of course* a bit of *laissez faire*, after three decades of idiotic economic governance, can work "miracles" (let us not get too excited, by the way, until the Chinese approach Japan or Korea, not to speak of Hong Kong, on the "miracle" front)—if *in modern conditions, able to take advantage (finally) of two centuries of betterment*. The evidence from India is in some ways cleaner, since there is *before 1991* a marked change in ideology in favor of entrepreneurship and against

planners and bureaucrats. But even in the Chinese case there is no doubt, surely, that the commanding heights of the Party became much, much more tolerant of merchants and manufacturers.

John turns to the French case. I am happy to hail Napoleon III as a "liberal," setting aside his ideological teachers Cobden, Bright, Bastiat, Chevalier, and Rouher. John evidently thinks that the approach as he delicately puts it of "top down" is somehow inconsistent with liberalization in mid-19th century Europe. I suggest he consult the case of Prussia, where Bismarck, too, introduced manhood suffrage for mixed reasons (Bismarck *was* a liberal in many ways). Or consult the case of Sweden or Italy liberalizing the same era, from the top down.

John argues plausibly that "ideas matter most where the political system privileges the opinions of a few over the many," and points to the Philippines unable to implement liberalizing *because* it is democratic (contrast Singapore). I agree too with his point that clans in the Middle East make liberal laws of incorporation, say, dead letters—this is what is wrong with Timur Kuran's notion that the Islamic world was held back by not having French laws of incorporation (to state his thesis admittedly a little crudely). But they got the French laws, in the 19th century, and nothing happened—except in Timur's own native Turkey, because of "the opinions of a few over the many."

I merely want John to admit that ideas matter, sometimes, and to join Don and me in researching the numerous cases in which they do. It is revealing that he writes, "I still do not understand when ideas should be seen as either necessary or sufficient conditions." But we are not looking for universal necessary or sufficient conditions, just local ones, in this time or that, which I am sure John would agree are sometimes sufficient and sometimes necessary.

I would say that Holland and Britain and the United States provide numerous "explicit chains of reasoning" connecting ideas to outcomes. Yet at the very end John falls back into the Materialist's Lemma, which economizes so much on tiresome inquiries into the human mind and spirit in favor of calculations of Interest: "we are a long way from understanding when ideas cause growth or vice versa." Admitted. But we will never get straight the history, or the present-day economics (to venture into universals), if we insist, as

the neo-institutionalists/ Samuelsonians/ Marxoids do insist, on only examining the evidence for the one direction of causation.

7. John V. C. Nye, "Bourgeois Values Aren't Enough"

Deirdre, your points are well taken. I still think you miss my point about the Netherlands – that the Dutch are free riders on what the English, French, Germans, and Americans created, especially in technology – not that they didn't do well for their time. They prospered and had bourgeois values, but somehow that was not sufficient for them to produce the Industrial Revolution, which was the phenomenon your books wished to explain. If the presence of early British property rights without growth causes you to dismiss the role of institutions, I don't see why a bourgeois Netherlands doesn't weaken the case for values as a sufficient condition. As you yourself note, values and attitudes combine with appropriate institutions to produce Modern Economic Growth.

Also, the Chinese case illustrates that because most of the world is and was so poor, modest changes in policy, even if values lag behind, can still do wonders. Most countries like the Philippines just need to change policy or rearrange the political process to unleash tremendous growth. But I see no easy way of creating sustainable liberal policy if entrenched interests and existing social coalitions impede the liberal rules that already exist. Conversely the Chinese had no formal property rights till just a few years ago, but in practice were more receptive of competition and capital accumulation than the rhetorically liberal Philippines and parts of Latin America.

But in general, we have converged to a joint equilibrium, and I gladly accept the point that it makes no sense to study materialist causes without some consideration of the attitudinal changes. I still insist that a truly strong case for the importance of ideas should be more persuasive to the unconvinced, and I don't believe we are there yet.

8. Donald J. Boudreaux, "Changing Ideas Is Tougher than Changing Institutions"

There's much to say, but I content myself here to make only two brief points.

First, at the end of his most-recent comment ("Which Came First: Ideas or Growth?"), John says that "I [John] deeply want to believe that ideas were the key element in the Industrial Revolution. Promoting reform would actually become easier."

I disagree. I suspect that the importance of ideas does not make the promotion of reform easier – or, at any rate, it doesn't make *actual* reform easier.

I think I understand what John means, and this point is indeed important: if ideas really do matter, it is then at least *possible* to loosen the choking grip of special-interest groups on the throat of the body-economic. Not so in the idea-impotent world as seen, for example, by George Stigler. There, there is no hope. There, there is in play only the inexorable logic of interest-group politics, rational ignorance, and other collective-action ailments causing governments -- barring some happy exogenous changes in constraints – to grow in economically destructive ways.

So, yes, if ideas matter then society isn't destined to be impoverished by rent-seeking interest groups. Genuine reform is possible. But *easier*? Changing dominant ideas, it seems to me, is far more difficult than changing institutions. And any such change in ideas takes more time, too.

This reality relates to my second point. Hernando de Soto famously calls for the governments of developing countries not only to make poor people's property rights in their land and small buildings more secure, but also to memorialize those rights in formal titles of the sort that are prevalent in developed countries. Poor people can then use those formal titles as collateral for loans to start and expand businesses. Enterprise will flourish. Or so De Soto argues.^[30]

It's a nice story, but it doesn't work so well in practice. The reason is that ideas prevalent on the ground in many developing countries make it very difficult to transform land titles into collateral. I'm told by reliable on-the-ground researchers in sub-Saharan Africa that

many poor people there hold strong beliefs that their land is something that simply should not be traded in commercial markets or used as collateral for loans. Also, banks remain reluctant to foreclose on loans that are in default because they fear strong popular opposition to such foreclosures; banks, therefore, are reluctant to make such secured loans in the first place. [31]

Changing the institution here is rather easy: create a system of formal titling. Western experts are available for hire to help get the institutional details just right! Changing the ideas that people have about their and their neighbors' relationship with land and about the proper and improper uses of land is far more difficult. No western experts can help here.

Endnotes

[30.] Hernando de Soto, *The Mystery of Capital* (New York: Basic Books, 2000).

[31.] See Karol C. Boudreaux, "The Legal Empowerment of the Poor: Titling and Poverty Alleviation in Post-Apartheid South Africa," *Hastings Race and Poverty Law Journal*, Vol. 5, 2008, pp. 309-37. See also Karol Boudreaux and Paul Dragos Aligica, *Paths to Property: Approaches to Institutional Change in International Development* (London: Institute of Economic Affairs, 2007).

9. Joel Mokyr, "False Dichotomy"

Deirdre McCloskey seems to believe that an argument about institutions (that is, incentives) can be settled by an argument that it was not institutions but ethics that mattered. I cannot recall that anyone — least of all Doug North or Avner Greif — ever argued that ethics (or morality) did not matter. Indeed, Greif has a set of recent papers (Greif, 2012; Greif and Tadelis, 2010) in which the importance of morality is neatly integrated into an institutional framework. More generally, a theory of institutions without the underlying set of beliefs, ethical or otherwise, would be woefully inadequate, as North himself would be the first to admit (North, 2005). That does not imply that institutions do not matter. The reason that institutions have become so popular among economists is not because it

has been the flavor of the month or because "as the World Bank nowadays recommends, to add institutions and stir" (as Deirdre writes, violating her own friendly advice given to me so often: "don't sneer."). The idea that institutions mattered for economic growth resonates in the economics profession because it rings true. Governance matters. The effective rhetorical device employed by Acemoglu and Robinson in their *Why Nations Fail* (2012) is to juxtapose two societies that are similar in most respects except governance: North and South Korea, or Nogales, Arizona, and Nogales, Sonora. In every measurable way, a huge gap exists between these cases, yet it's hard to say that North Koreans are ethically different from their southern cousins even though their GDP per capita is lower by a factor of 18 (an order of magnitude that should impress Professor McCloskey, who finds a factor of "at least sixteen" to be "the heart of the matter").

Most of Deirdre's arguments against my defense of institutions seem to be equally ill-founded. I wrote a long paper on the "Institutional Origins of the Industrial Revolution" in which I discussed how and why British institutions may have been better in c. 1700 than they had been in England in 1200, or than they were in Germany in 1700. Even Gregory Clark, who is if possible even less friendly to the idea that institutions were of importance than Deirdre, has a little graph pointing out how English murder rates in 1700 were lower than in 1200, a point since made in great detail by Steven Pinker. Property rights existed in 1200, but whether they confirm that "property rights were very good in England many centuries before the Industrial Revolution or the Great Enrichment" remains unproven. Were they as good? Surely the rule of law, as approximated by the level of daily violence, had improved between King John and King George.

Deirdre objects to my example (and that is all it was) of apprenticeship in England. Yes, of course, there was apprenticeship on the Continent and in most places in the world. But was it the same? One small institutional difference: on the whole, the rules in most of Europe were enforced by formal organizations, craft guilds. In England, because guilds were relatively weak, the rules had to be self-enforcing. It worked better: as early as 1690, even Dutch travellers commented on the superiority of British artisans and their high level of skills from furniture design to the casting of metal rollers (Dobbs and Jacob, 1995, p. 74). By the late 18th

century British engineers and skilled artisans were swarming all over the Continent, installing, maintaining and operating state of the art machinery. Ethics?

The real issue, unresolved as yet, is how we build an institutional and cultural explanation of technological progress. After all, if we agree with Deirdre that the modern growth is driven by innovation, what is the institutional basis of the growth in useful knowledge? How were the people who created it rewarded, compensated, and incentivized? It is this issue that my new book, *The Cultural Origins of Economic Growth* (Princeton University Press, forthcoming, 2019), will tackle, though a taste of the argument can be found in various papers. The argument in a nutshell eschews the false dichotomy between beliefs and preferences (“ethics” if you want — but there is so much more) on the one hand and institutions on the other. It looks at the European experience of the period 1500-1700 and asks where the Enlightenment came from. If we understand the sources of the Enlightenment, I believe, we have solved a great deal of the riddle of the Great Divergence. The book argues that ideas and beliefs of all kinds and types are presented to a market for ideas, in which people try to persuade one another (the importance of persuasion and rhetoric as a historical force was impressed upon me many years ago by one Deirdre McCloskey). But the market for ideas took place in a framework that created rules and norms, higher rewards for the successful and reduced risks for the venturesome. In short, the institution in which people tried to persuade one another mattered. Within that institution, successful cultural entrepreneurs such as Martin Luther, Nicolaus Copernicus, and Benedictus Spinoza (to name just three) could thrive and influence others. The test of a good market is that entrepreneurs and innovators can be spectacularly successful, and this is what happened in Europe. The institution that made all this possible was called the Republic of Letters. It was a virtual institution, a network of publications and correspondence, of people who read other people’s work, vetted, criticized, and cited it. They rarely met, but that did not prevent them from setting up rules that rewarded and penalized, determined how people should and should not behave, and what was an acceptable product. It was competitive, creative, and destructive all at the same time, as effective markets are supposed to be. This is not the place to explain precisely how and why this institution emerged

and what the rules were; but it was there for all to see. Unlike, say, the Middle Ages or Classical Antiquity, it was not a construct of historians: The term originates in 1417, and Pierre Bayle began publishing his newsletter named *Nouvelles de la République des Lettres* in 1684. It created open science, a world in which discoveries and new ideas were placed as quickly as possible in the public domain — an institution that is still with us. It was the institution that explains the fantastic explosion of useful knowledge that drove modern growth.

Ethics mattered too, of course, who would deny it? None of the arguments that Deirdre makes in her rich and persuasive books rings wrong to me. But the evolution of ethics, too, emerged from a competitive marketplace for ideas and was subject to persuasion. Was it ethical to kill someone because he was a heretic? In 1550 the answer was different than in 1680. Was it ethical to postulate that the earth was not the center of the universe, that a vacuum could exist, that Ptolemy and Galen were wrong about most things? Among many societies, to impugn the learning of the “ancients” was the one of the worst sins --- not least among my forefathers, the Jews of Europe (who expelled the sinful and horrid apostate Spinoza from their midst). Was it ethical to do science not only to illustrate the glory and wisdom of the creator but also, as Bacon said, “to establish and extend the power and dominion of the human race itself over the universe, his ambition ... is without doubt a wholesome thing and ... noble.... Now the empire of man over things depends wholly on the arts and sciences. For we cannot command Nature except by obeying her”?

Oscar Wilde once said, “It is not enough for me to succeed; my friends have to fail.” It is not enough for Deirdre to be right; (almost) all others have to be wrong. As she well knows, I stand beside her in most of the chapters in *Dignity*, in which she disposes of half a dozen or more bogus explanations of the Industrial Revolution and the Great Divergence. But on institutions she is dead wrong. This is not to say that her critique of much of the institutional literature is off the mark -- far from it. But if North may not have gotten all the details quite right, his insight stands undiminished.

Culture cannot be understood without institutions, just as institutions cannot be understood without cul-

ture. Understanding how the two interacted remains a challenge for the next generation.

10. Deirdre Nansen McCloskey, "The Logic of Ideas and Institutions Implying Growth: Last Replies to Don, Joel, and John"

The poet and Latinist A. E. Housman issued his *Last Poems* in 1922, but he kept on writing, and in the year of his death, 1936, his brother published *More Poems*. Perhaps this will be my Last Replies here about ideas, institutions, and the Great Enrichment. Or maybe there will be More—not, I hope, after I'm dead.

When I read Don Boudreaux's contributions to this colloquy, such as his own Last, I find myself nodding my head, and thinking, "What a good point!" For example, he notes that "ideas prevalent on the ground in many developing countries," such as ideas about what sorts of things should be traded (e.g. not land), "make it very difficult to transform land titles into collateral." Bingo. Such ideas are *not* easy to change, as one can see in the persistence down to the present of mercantilist or populist ideas against betterment by trade or innovation, as for example in the writings of Robert Reich or John Gray. The difficulty of changing prevalent ideas is one reason why the Industrial Revolution and especially the more significant Great Enrichment following was a one-off event.

I think Joel would agree. The book he is working on, which we all want to see drafts of, traces what he calls the Industrial Enlightenment back to improvements in the conversation of the Republic of Letters and before, a rhetorical event unique (he and I would claim) to Europe in the seventeenth century, and before. I make a similar point, with less depth, in Part VI of *Bourgeois Equality*. I would add, though, that we both, Joel and I, need to find more comparative evidence. I worry that our celebration of the better rhetoric of Europe as a cause of the modern world may yet founder on evidence-still-to-be-found that, say, China also had periods of Republican Letters. Or South Asia, usefully fragmented as it often was.

But back to the contrast with my reading of Don's contributions. What is odd is that when I read Joel's and John's contributions here I do not nod my head

with approval. These are two scholars I admire extravagantly (as can be judged by the frequency with which I steal their ideas—properly footnoted, of course). And in this forum I have admitted the truth of many of their points, especially when backed by evidence. "Yes," I say, "admitted: if institutions are very bad, then ideas get choked off, and so does growth. A war of all against all is not good for business. That's the scheme in Acemoglu and Robinson, to find cases in which institutions are very bad, and then to infer from the cases assembled that institutions (alone) are necessary for growth."

Yet I do not nod in agreement. Instead I find fault in what Joel and John say, at any rate here, where we are exploring rather fine points of difference among four scholars who pretty much agree. I refrain from nodding not because I want to—out of, say, political disagreement, which is not what is going on here, not at all—but because, reluctantly, I do find faults in their logic and evidence, at any rate on the fine points.

Why? One reason is that Joel and John have not quite escaped, I think, as Don has, from a positivist, behaviorist, Samuelsonian definition of what is a respectable scientific argument in economics or economic history. (Understand, in case you have not heard, that I do not regard positivist, behaviorist, or Samuelsonian as terms of praise.) To put it another way, they doubt humanistic evidence. I could go on (and on and on) about the point, but I'll leave it at that for now.

Another reason for my lack of affirmative nodding is that Joel and John have not really taken on the idea that ideas can matter *independent* (sometimes) of incentives. They say they have taken it on, but then they keep falling back into arguments that say that Institutions (let's symbolize them by \mathcal{N} , since the other term, Ideas, also start with an I) suffice for growth (G): $\{\mathcal{N}\} \Rightarrow G$, [Good] Institutions imply [Positive] Growth. That is, they are denying what Don and I have come to believe, on the basis of masses of positivist, behaviorist, and Samuelsonian evidence, but also on the basis of the humanistic testimony of plays, novels, philosophy, biography, and ordinary human experience, namely, that [\mathcal{N} is Institutions, D is Ideas, remember] $\{\mathcal{N} \text{ and } D\} \Rightarrow G$. The Ideas, D , are to be thought of as "sound, pretty favorable ideas about markets and betterment." Likewise, the Institutions, \mathcal{N} , are to be thought of not as perfect but as pretty good. (The rhetoric of "pretty

good” comes from a brilliant book in 1999 by the political scientist now at Ohio State, John Mueller, *Capitalism, Democracy, and Ralph’s Pretty Good Grocery* [Princeton: Princeton University Press].)

Here’s the problem. Joel and John seem on odd days of the month to believe in the North-Acemoglu pre-judgment that $\{N\} \Rightarrow G$. No Ideas. Joel calls the ideas Culture, which is the vague way that people talk when they have not taken on board the gigantic and exact literature about rhetoric, ideology, ideas, ceremonies, metaphors, stories, and the like since the Greeks or the Talmudists or the Sanskrit grammarians,

(Please, Joel, don’t reply again that Doug North and Avner Greif *do* admit the force of ideas in their stories. Well, I’m not quite sure about Avner in this regard—I disastrously forgot an appointment with him some months ago to go to dinner in Chicago and get down to discussing ideas in detail; he is quite properly sore at me about it; I need to do more homework. But I am quite sure of Doug. In his *Understanding the Process of Economic Change* [Princeton University Press, 2005] he says he is very interested in the source of ideas. Good. But instead of entering the humanistic conversation since the Epic of Gilgamesh, which has largely been about the source of ideas, he defers to “brain science” [about which, it must be said, he knows very little]. That is, Doug reduces Ideas to Matter, and to the mechanical incentives surrounding Matter, every time. He takes the brain to be the same thing as the mind, which after all is the central error in the New Phrenology known as brain science. [If you, dear reader, want to know more about what’s wrong with Doug’s ideas about ideas, read Chapter 33-36 in Bourgeois Dignity. You, too, Joel].)

Anyway, if one believes that $\{N\} \Rightarrow G$, then it follows that not- G implies not- N , and the hunt is on for Institutions that failed, and kept nations failing. But if one believes that $\{N \text{ and } D\} \Rightarrow G$, as Don has persuaded me to believe, and as Joel’s and John’s interesting examples here have helped me to see more clearly, then it follows that the failure to grow (not- G), implies *either* not- N (those bad institutions) *or* not- D (the bad ideas), or both. (This logical point in the philosophy of science is known as Duhem’s Dilemma, and kills off the simple Friedman-Samuelson falsificationism underlying modern econometrics.) If so, then the hunt is on for *either* bad institutions *or* bad ideas, *with no presumption that the*

bad-idea possibility is somehow less of a scientific priority.

I recognize the impulse to stick with Max-U version of Institutions as the first on the agenda, since I used to say the same thing to people like David Landes: “First, let’s use total factor productivity; then, if there’s anything left over, we can look at the correspondence of ironmasters.” I never intended to look at the correspondence, and did not, to my shame. Samuelsonian economics, I thought, sufficed. So here. (To the claim that Northian institutionalism steps *beyond* Samuelsonian economics, I say, as I’ve been saying to Doug now for thirty years, puh-*leez!*)

To turn to John’s Last. Of course inventions can be free ridden upon, which is why it is irrational for a small country to invest in R&D, especially R. But my point, which John in turn don’t seem to acknowledge, is: What kind of failure is it when southern England shared in the failure? True, Holland didn’t continue its leading role in, say, science, that it had attained in the Golden Age; nor, I think, in mechanical invention; and perhaps not in institutional invention, either, such as the East India Company (Holland’s private version, *Vereenigde Oostindische Compagnie*, went bankrupt in 1800), although Holland did still invest vigorously overseas. But neither did Cambridge and London have a lot going on in such matters c. 1800. Regions specialize, and not always through “failure.” (I’ve been making this point all my scholarly life, so you see why I repeat it.) What was bizarre was what was happening in the English North and in Scotland, and there the ideology did match. They don’t call it the “Manchester School” for nothing.

The option of removing materialist obstacles might be open—though note that it seldom has worked very well without massive ideological change preceding—I mention Ataturk again, to which one could add Adenauer. Removing tariffs, for example, might be thought of as a materialist change. But the removing is not merely to be called up by economists, of course. The removing happens—as it seems to have in India—after the ideology changes, as when German Ordo Liberals (who were talking this liberal way in the 1930s, to no avail) take charge in post-War Germany after the occupation was lifted (the British, by then persuaded socialists, mainly, resisted the liberalizing moves in their sector).

Ideology may not have to change in a world in which politics doesn't matter, or in which politicians take the advice of [the right kind of] economists without question. But in our world the ideology had better change, or else the materialist policies (e.g., sending lots of kids to engineering schools) won't be sustained, and won't be matched by other policies in depth that make the matter bear fruit (e.g., letting high tech flourish in Bangalore without the License Raj interfering). Or, worse: Raul Prebisch will take over the ideas, just as LSE socialism took over India at Independence.

John's commitment to *I*-first shows in his peroration: "I still insist that a truly strong case for the importance of ideas should be more persuasive to the unconvinced, and I don't believe we are there yet." I invite him to read *Bourgeois Equality*, which I will make available to him in draft. Or, at less cost in time, he could read anything by Don Boudreaux.

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