

# TOWARD A LIBERTARIAN THEORY OF CLASS

BY RODERICK T. LONG

## I. INTRODUCTION

Libertarianism needs a theory of class.

This claim may meet with resistance among some libertarians. A few will say: "The analysis of society in terms of classes and class struggles is a specifically Marxist approach, resting on assumptions that libertarians reject. Why should we care about class?" A greater number will say: "We recognize that class theory is important, but libertarianism doesn't *need* such a theory, because it already *has* a perfectly good one."

The first objection is simply mistaken. While the prominence of the Marxist theory of classes may have left rival approaches obscured in its shadow, class analysis is thousands of years older than Marx; and in Marx's own day the Marxist version of class analysis was only one of a number of competing and very different theories, including several far more congenial to libertarianism. The problem of class is one that faces any serious political theory, Marxist or otherwise.

The second objection is also mistaken, but not so simply. It is true that a libertarian theory of class already exists. More precisely, several different theories of class are current among today's libertarians, inherited from different strands within libertarianism's intellectual ancestry. But although each of these theories offers important insights, I propose to argue that none of them is adequate, and that the shortcomings of libertarian thinking about class have done serious harm to the libertarian cause.

I shall also be offering some suggestions as to the direction in which libertarian class analysis might best develop. But my aims in this regard are limited. It is from no false modesty that this essay is titled "Toward a Libertarian Theory of Class" rather than simply "A Libertarian Theory of Class." The development of libertarian class analysis is a project for the cooperative efforts of sociologists, economists, political scientists, historians, and philosophers. My principal hope is simply to call attention to the need for such a project.

## II. LIBERTARIANISMS

What does it mean to speak of a libertarian theory of class? To answer that question, we must first have some conception of what libertarianism is, and then what a theory of class is.

For the purposes of this essay, I propose to define as *libertarian* any political position that advocates a *radical redistribution of power from the coercive state to voluntary associations of free individuals*. This definition draws the boundaries of libertarianism rather more expansively than is customary, and includes under the libertarian aegis a number of conflicting positions. For example, my definition does not specify whether this redistribution of power is to be total or merely substantial, and so allows both anarchists and nonanarchists to count as libertarians; it also does not specify whether the criteria for "voluntary association" can be met by communal cooperatives, or market exchanges, or both, and so grants the libertarian label indifferently to socialists (of the anti-statist variety) and capitalists (of the anti-statist variety).

These results may be taken, by some, as sufficient reason to reject my definition of libertarianism as excessively broad. But thinkers satisfying the definition have frequently described themselves as libertarians, whatever their views on the nature of voluntary association or the appropriate extent of redistribution; and it is my conviction that the different varieties of libertarians generally have more in common than they are accustomed to recognizing, and a great deal to learn from one another. As I have written elsewhere:

Today, for the most part, libertarian capitalists begrudge socialists, and libertarian socialists likewise begrudge capitalists, the title "libertarian"; yet there seems to me sufficient commonality of ideological concern and intellectual heritage between the two camps to justify using the term in a broad but univocal sense to cover them both.<sup>1</sup>

Currently there are three quite disparate movements that qualify as libertarian by my definition. Two of them I have already mentioned: Libertarian Capitalism and Libertarian Socialism. A third I shall call Libertarian Populism. As these terms are a bit of a mouthful, I shall abbreviate them as "LibCap," "LibSoc," and "LibPop," respectively.<sup>2</sup>

Libertarian Capitalism (LibCap) is the position that has largely monopolized the term "libertarian" in contemporary academia, thanks largely to the influence of Robert Nozick's book *Anarchy, State, and Utopia*.<sup>3</sup> LibCaps

<sup>1</sup> Roderick T. Long, "Immanent Liberalism: The Politics of Mutual Consent," *Social Philosophy and Policy*, vol. 12, no. 2 (Summer 1995), p. 12, n. 26.

<sup>2</sup> An alternative possibility would be to abbreviate them as LC, LS, and LP, respectively. But "LP" is so commonly used within LibCap circles to designate the U.S. Libertarian Party that its use to designate some other aspect of libertarianism would be likely to generate confusion.

<sup>3</sup> Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974). Indeed, for many academics *Anarchy, State, and Utopia* is the definitive statement of, indeed virtually interchangeable with, the Libertarian Capitalist position in general. Within the LibCap community itself, however, Nozick's work, while respected, is quite controversial and is the target of frequent criticism. "Nozick's book has come to enjoy canonical status among academics, who normally assign it to students as 'the' libertarian book, with little appreciation of the broader tradition of libertarian thinking and scholarship within which Nozick's

uphold (sometimes on the basis of imprescriptible natural rights, sometimes on the basis of beneficial social consequences, usually on the basis of both) the right of individuals to do as they please with their own lives and peacefully acquired private property, so long as they do not aggress against the like liberty of anyone else. This leads LibCaps to oppose state interference with *both* personal lifestyle choices and market transactions, favoring spontaneous order over coercively imposed order equally in the market for goods and services (hence their conflict with the left) and in the market for ideas and experiments in living (hence their conflict with the right). LibCaps who wish to restrict government to the basic function of protecting libertarian rights—essentially the “night-watchman state” of classical liberalism—are traditionally called “minarchists,” while a minority who favor replacing the state entirely with private protection agencies and private courts competing on the free market are traditionally called “anarcho-capitalists.”

It still comes as a surprise to many LibCaps to learn that socialist critics of centralized power have been using the term “libertarian” for at least as long as their capitalist counterparts have. One recent LibCap writer offers his readers a short history of the use of “libertarian” as a political term, without ever mentioning that many opponents of capitalism have also considered themselves libertarians.<sup>4</sup> (Libertarian Socialists often repay the favor by writing as though “libertarian” has always designated a purely socialist movement.) But there is a robust tradition of Libertarian Socialism (LibSoc), whose roots, like those of LibCap, run back to the radical movements of the seventeenth, eighteenth, and nineteenth centuries. At present the most prominent spokesman for this position is Noam Chomsky.

LibSocs share with LibCaps an aversion to any interference with freedom of thought, expression, or choice of lifestyle. But unlike LibCaps, LibSocs do not see the right to engage in market transactions, or to maintain exclusive control over one’s private property, as examples of freedom in need of protection. Rather, LibSocs see capitalist property relations as forms of domination, and thus as antagonistic to freedom. Yet, unlike other socialists, they tend (to various differing degrees, depending on the thinker) to be skeptical of centralized state intervention as the solution to capitalist exploitation, preferring a system of popular self-governance via networks of decentralized, local, voluntary, participatory, cooperative associations—sometimes as a complement to and check on state power, sometimes as a complete substitute for it. In this respect, LibSocs count as libertarians for the same reason LibCaps do: they both seek to empower individuals to govern their own lives through voluntary cooperation with

work took shape.” Tom G. Palmer, “The Literature of Liberty,” in David Boaz, ed., *The Libertarian Reader: Classic and Contemporary Readings from Lao-tzu to Milton Friedman* (New York: The Free Press, 1997), p. 417.

<sup>4</sup> David Boaz, *Libertarianism: A Primer* (New York: The Free Press, 1997), pp. 22–26. A welcome exception to LibCap silence on the existence of LibSocs is Jerome Tuccille, *Radical Libertarianism* (San Francisco: Cobden Press, 1985), p. 36ff.

one another, as opposed to top-down control of individuals by the state.<sup>5</sup> Where they disagree is on the question of whether economic *laissez-faire* and the unregulated market represent an *instance* of, or instead an *obstacle* to, the freedom and empowerment that libertarians seek. This disagreement is a deeply important and often intractable one, of course; nevertheless, I think it should be seen more as a conflict over the proper implementation of a common ideal than as a conflict of ideals themselves.

The LibSoc and LibCap perspectives can be seen not only as the socialist and capitalist wings of a broader libertarian tradition, but also as the libertarian wings of the broader traditions of socialism and capitalism in general, traditions that each possess an anti-libertarian, authoritarian wing also. We can gain a better understanding of both LibSoc and LibCap by contrasting them with their authoritarian counterparts.

The libertarian and authoritarian wings of socialism share a common hostility to capitalist property relations; but authoritarian socialists (also known as state socialists) offer, as an antidote to capitalism, a powerful centralized state exercising control over every aspect of economic life. The turn-of-the-century Russian anarcho-communist Pyotr Kropotkin (1842-1921) offers a typical LibSoc indictment of authoritarian socialism:

The Anarchists consider the wage system and capitalist production altogether as an obstacle to progress. But they point out also that the State was, and continues to be, the chief instrument for permitting the few to monopolise the land, and the capitalists to appropriate for themselves a quite disproportionate share of the yearly accumulated surplus of production. Consequently, while combatting the present monopolisation of land, and capitalism altogether, the Anarchists combat with the same energy the State, as the main support of that

<sup>5</sup> Hence, a number of libertarians have hoped for a rapprochement between the LibCap and LibSoc approaches.

The issue of capitalism vs. socialism is irreconcilable if one views it in terms of political control. For whenever appeals are addressed to a central governing agency, an all-powerful, all-pervasive authority with the power to take away and dispense favors . . . the public will divide itself into two general camps and organize myriad lobby groups to pressure those in command for 'favorable' legislation. . . . [Both] capitalist and socialist schools of anarchy . . . are united on the most crucial question of all: the absolute necessity for people to take control over their own lives, and the dismantling and final elimination of state authority over the life of man. . . . Their major disagreement is one of personal attitudes concerning the makeup of human nature itself. . . . Who is right? Is there any way of reconciling these two opposing views of human nature without resorting to violence, pressure politics, or deceit? . . . The Left and Right can be harmonized only under anarchy. . . . Here is the broad spectrum of libertarianism, of voluntarism in the intellectual, economic, social, and spiritual life of society. . . . The main purpose here is to demonstrate the concept of radical decentralization as a viable alternative to our present centralized and chaotic system. It is to show how a bridge can be made between the individual and the collective, the socialist and the capitalist mentality, without resorting to force and coercion. (Tuccille, *Radical Libertarianism*, pp. 31-58; cf. also my "Immanent Liberalism," pp. 26-31)

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system. . . . The State organisation, having always been . . . the instrument for establishing monopolies in favour of the ruling minorities, cannot be made to work for the destruction of these monopolies. The Anarchists consider, therefore, that to hand over to the State all the main sources of economical life—the land, the mines, the railways, banking, insurance, and so on—as also the management of all the main branches of industry, in addition to all the functions already accumulated in its hands (education, State-supported religions, defence of the territory, &c), would mean to create a new instrument of tyranny. State capitalism<sup>6</sup> would only increase the powers of bureaucracy and capitalism. True progress lies in the direction of decentralisation, both *territorial* and *functional*, in the development of the spirit of local and personal initiative, and of free federation from the simple to the compound, in lieu of the present hierarchy from the centre to the periphery.<sup>7</sup>

Within the capitalist tradition, on the other hand, both libertarians and authoritarians agree in rejecting the monopolization of all economic power in the hands of the state—but there the resemblance ends. While LibCaps endorse unregulated competition, authoritarian capitalists favor government provision of subsidies, protections, and grants of monopoly privilege to big business to insulate it from competition both foreign and domestic. Defenders of the business lobby argue that such “corporate welfare” is beneficial to society as a whole, because companies on which many workers and consumers depend (for jobs and products, respectively) deserve public assistance; in the United States, Lee Iacocca and the government bailout of Chrysler Motors come to mind. But LibCaps argue that such government favoritism creates a corporate elite with no incentive to cut costs, improve efficiency, or be responsive to the needs of its employees and customers. As one LibCap author notes:

The corporation had never been for markets, limited government, private property, or the other values associated with the business cause. . . . It had always tried to derive private advantage from public policy. . . . The corporation was created by people who thought the market generally inefficient, backward, a drag on progress, a difficulty to be gotten around. . . . From the dawn of the modern corpo-

<sup>6</sup> The term “state capitalism” has been common for some time among political radicals of various ideological stripes, but it is frequently used in two different senses. In one sense, “state capitalism” refers to state intervention in the marketplace to promote the interests of the corporate elite; here it is synonymous with authoritarian capitalism. In the other sense, “state capitalism” refers to a state’s monopolizing all economic activity and resources under its own control so that the nation as a whole may act as a single firm; here it is synonymous with authoritarian socialism. Kropotkin is using the term in this second sense.

<sup>7</sup> Peter Kropotkin, *Anarchism and Anarchist Communism* (London: Freedom Press, 1993), pp. 8–9.

ration . . . the business lobby continued its campaign for public policies to keep prices high, provide subsidies and incentives, and control new entrants.<sup>8</sup>

Part of the hostility of LibCaps and LibSocs to one another derives from the fact that each libertarian camp tends to identify the other libertarian camp with that other camp's authoritarian counterpart. While this identification is generally a mistake, it is not entirely ungrounded, for many libertarians on both sides have failed to distance themselves sufficiently from the authoritarian wings of their movements. For example, many (though by no means all) LibSocs in this century have tended to downplay or apologize for the despotism and genocide practiced by Marxist regimes,<sup>9</sup> while on the other side many (though again, by no means all) LibCaps have readily served as willing intellectual foot-soldiers in the corporatist-imperialist programs of Reaganism and Thatcherism.<sup>10</sup> It is understandable that such conduct has led to some confusion.<sup>11</sup> But it is also true that—for the most part, with a few notable exceptions—neither libertarian camp has expressed much diligence in attempting to form an accurate picture of the other libertarian camp's beliefs. (In general, LibCaps and LibSocs have as distorted a view of each other as nonlibertarians have of both!)

These difficulties multiply when we turn to the third major libertarian movement of the present time—namely, the libertarian wing of what I shall call “conservative populism” (or “populism” for short). “Conservative populism” is my name for what in the United States generally goes by the name of the “patriot movement,” though analogous movements without that label are to be found in other countries as well. The phenomenon of “citizens' militias” is currently the most visible, though not necessarily the most representative, aspect of this movement.

<sup>8</sup> Paul H. Weaver, *The Suicidal Corporation* (New York: Simon and Schuster, 1988), pp. 99–116.

<sup>9</sup> Among the notable exceptions: in the 1920s, the anarcho-socialist couple Emma Goldman and Alexander Berkman were among the earliest critics of the Soviet regime. See Emma Goldman, *My Disillusionment in Russia* (New York: Crowell, 1970); and Alexander Berkman, *The Bolshevik Myth* (London: Pluto Press, 1989).

<sup>10</sup> This is not to deny that there were genuinely LibCap elements to the programs of Reagan and Thatcher, though I think those elements have been greatly exaggerated.

<sup>11</sup> There are still other sources of confusion. Libertarian and authoritarian versions of capitalism have both called themselves “socialist” upon occasion (e.g., Benjamin Tucker's “voluntary socialism” and Adolf Hitler's “National Socialism,” respectively). Indeed, some LibCaps claim to be the only true “socialists,” since they favor social power over state power. To add to the confusion, not only do LibCaps and LibSocs generally deny one another's libertarian credentials, but also within each movement one finds *both* writers who take anarchism as a prerequisite for being a libertarian, *and* writers who take the *rejection* of anarchism as a prerequisite for being a libertarian. Then there is the ongoing dispute about the relation between libertarianism and liberalism: Is either LibCap or LibSoc a version of liberalism? Is LibCap identical with classical liberalism, or is it a subset of it, or does it merely overlap with it? Do non-classical liberals count as genuine liberals? And so on!

Like LibCaps, populists endorse such ideals as private property, school choice, reduced taxes, and the right to bear arms. Like LibSocs, however, populists are suspicious of free trade, usury, and finance capitalism. And, unlike both groups, populists tend to be traditionalists, culturally and morally conservative, anti-abortion, with strong religious commitments and a concern to protect their preferred way of life from being undermined by secular and foreign values.<sup>12</sup> On this much, populists are generally agreed.

However, the populist movement can also be divided into libertarian and authoritarian wings. Unlike LibCaps and LibSocs, Libertarian Populists (LibPops) do not use the term "libertarian" to describe themselves, but they share with their capitalist and socialist counterparts a desire to effect a thoroughgoing redistribution of power from the state to freely associated individuals. By contrast, the authoritarian wing of populism opposes existing state power only because it seeks to replace such power with an oppressive regime of its own, in which populist values will be coercively imposed on the population. At its worst, authoritarian populism descends into the noxious morass of militant nativism, racism, and intolerance, calling for the subjugation of nonwhites, non-Christians, women, immigrants, and homosexuals, glorifying violence and bigotry, and making common cause with neo-Nazis. This side of the populist movement has received so much publicity that it is often taken as an accurate representation of the whole, and LibPops end up being tarred with the same brush, despite having no more in common with neo-Nazis than Chomsky's current political views have with Stalin's.<sup>13</sup> As in the previous cases, this is partly the LibPops' own fault for not making stronger efforts to dissociate themselves from their authoritarian counterparts<sup>14</sup>—but it is also the fault of critics of populism who have been remarkably careless in getting their facts straight about the people and views they criticize.<sup>15</sup>

<sup>12</sup> Of course, these are only generalizations, with many individual exceptions. For example, I have certainly met LibCaps and LibSocs who opposed abortion rights, and LibPops who supported them.

<sup>13</sup> Some examples may be helpful. Groups like the Aryan Nation and the Ku Klux Klan are obvious examples of authoritarian populism at its most racist extreme. The weekly populist newspaper *The Spotlight* is an unsettling mix of libertarian aspects with moderately authoritarian-racist aspects. The "militia movement," broadly defined, also appears to include groups from both camps. By contrast, the U.S. Taxpayers Party and the secessionist "Republic of Texas" movement—as near as I can tell—appear to be *predominantly* LibPop and anti-racist, though these movements might not be a LibCap's or LibSoc's cup of tea. (By the "Republic of Texas" movement I mean the main organization, not the splinter group—repudiated by the main group—that made the news in 1997 by seizing hostages!)

<sup>14</sup> In addition, canny politicians like Pat Buchanan have learned to pitch their message in such a way as to appeal to substantial numbers of populists in both the libertarian and authoritarian camps.

<sup>15</sup> In a number of instances, peaceful, tolerant anti-statists (in some cases not even populist in orientation) have been labeled "white supremacists" or members of "Aryan hate groups" by critics who never bothered to discover that the persons so labeled were in fact Jewish or black.



When I speak of "libertarianism," for the purposes of this essay I mean all three of these very different movements. It may be protested that LibCap, LibSoc, and LibPop are *too* different from one another to be treated as aspects of a single point of view. But they do share a common—or at least an overlapping—intellectual ancestry. LibSocs and LibCaps can both claim the seventeenth-century English Levellers and the eighteenth-century French Encyclopedists among their ideological forebears; and all three groups (LibSocs, LibCaps, and LibPops) usually share an admiration for Thomas Jefferson and Thomas Paine. In the nineteenth century it was fairly common for libertarians in different traditions to recognize a commonality of heritage and concern;<sup>16</sup> this mutual recognition has been largely lost sight of in the twentieth century, but is beginning to return.<sup>17</sup>

To be sure, we should not lose sight of the differences among LibSocs, LibCaps, and LibPops. But we also should not commit the much more common error of allowing the differences to overshadow the common liberatory, anti-authoritarian impulse. Moreover, as we shall see, the need for an adequate theory of class—a need common to all three libertarianisms—may lie at the root of some of those differences.

### III. THEORIES OF CLASS

Class analysis in the Western tradition begins in ancient Greece and Rome, with an approach I shall call the *republican theory of class*. Ancient theorists thought of classes in economic terms: the wealthy minority versus the poor majority. The chief task of ancient constitutional thought was to balance the interests and influence of each of these classes against the other, in order to prevent the rich from running roughshod over the poor, or vice versa. This goal was adopted in part for reasons of justice; the ancient republic was supposed to represent the interests of the entire people, not just one faction of them. But the goal also had a pragmatic justification: each class was powerful, the one because of its wealth and

<sup>16</sup> For example, the contributors to *Liberty*, the leading American anarchist journal of the day, drew inspiration equally from Pierre-Joseph Proudhon and Herbert Spencer.

<sup>17</sup> A few examples: *Nation* columnists Christopher Hitchens and Alexander Cockburn, both broadly LibSoc in orientation, have expressed some sympathy for the LibCap and LibPop movements, respectively; LibSoc Noam Chomsky acknowledges an intellectual debt to LibCap idol Adam Smith; U.S. Congressman Ron Paul has attracted a following that includes both LibCaps and LibPops; "community technologist" Karl Hess is admired by both LibCaps and LibSocs; followers of Henry George engage in dialogue with LibCaps and LibSocs; and the International Society for Individual Liberty, a LibCap organization, addresses concerns important to both LibSocs and LibPops. One might also include the highly influential LibCap theorist Murray Rothbard, who in the 1960s and 1970s made common cause with LibSocs, and in his later years became associated instead with LibPops. Unfortunately, Rothbard's outreach to socialists and populists did not always confine itself to the libertarian aspects of those movements. During his socialist-friendly days, Rothbard cheered the Communist sack of Saigon (on the rather dubious grounds that the fall of any state is an event to celebrate, regardless of what replaces it), while in his later, populist-friendly days he (along with his associates at the Ludwig von Mises Institute) condoned the Los Angeles Police Department's beating of Rodney King.

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the other because of its numbers, and therefore no political system could long remain stable unless it could attract the support of both classes.

Ancient theorists disagreed about how best to achieve this balance. Conservatives like Thucydides, Aristotle, and Polybius (as well as Plato in his later years)<sup>18</sup> favored the "mixed constitution," a combination of aristocracy and democracy; for their model they looked to Sparta, Rome, or the "ancestral constitution" of Athens under Solon. Ancient liberals like Demosthenes and Athenagoras, by contrast, thought that the mixed constitution undercompensated for the influence of the rich and overcompensated for the influence of the poor; they favored instead the democratic system of post-Kleisthenean Athens (508–338 B.C.E.), where laws were passed by popular referendum and subjected to judicial review in jury courts manned by lot, and public officials were likewise picked by lot to ensure proportional representation. (As these examples show, Athenian democracy, contrary to popular misconception, was never a system of unchecked majority rule.) For us, democracy is synonymous with elections, but in ancient times elections were regarded as antidemocratic; the worry was that wealthy candidates would be better able to influence the electoral process and thus would be disproportionately represented in the government, a problem that random selection by lot avoids.

But both Greek liberals and Greek conservatives, while differing about means,<sup>19</sup> agreed on the basic premise that constitutional design should aim at achieving a balance between the rich and poor classes so that neither class could achieve complete domination over the other. It was this ancient republican perspective on classes that was inherited by the modern liberal and republican traditions, as represented by such thinkers as Machiavelli, Montesquieu, and Madison.

But in the eighteenth century, two new, more radical ways of thinking about class began to emerge. These radical approaches differed from traditional republican class analysis in identifying a particular class as *inherently exploitative*; the internal dynamic of this class was such that, if allowed to exist, it would inevitably gain and maintain the upper hand. Such a class in its nature could not be *checked*; the only solution was to *eliminate* it—not by exterminating its members, of course, but by destroying the class *as a class*, by removing from it the characteristics that made it the class it was.

One of these theories originated with Rousseau and was later inherited by Marx; I shall call it the *Rousseauvian theory of class*. Like its republican counterpart, the Rousseauvian theory identified classes in economic terms;

<sup>18</sup> I am thinking in particular of the *Laws*, where Plato defends a version of the mixed constitution, as opposed to such earlier writings as the *Republic* (and, to a lesser extent, the *Statesman*), where Plato relies on virtuous rulers rather than on constitutional devices to safeguard the public interest.

<sup>19</sup> The ancient liberals arguably had the better case; for discussion, see my "The Athenian Constitution: Government by Jury and Referendum," *Formulations*, vol. 4, no. 1 (Autumn 1996), pp. 7–23, 35.

the defining characteristic of a class was its economic status (in Marxist terms, its control over the means of production, e.g., land and capital equipment). But the Rousseauvian theory is pessimistic about the possibility of providing any reliable constitutional safeguard against the tendency of superior wealth to translate itself into superior power. Socioeconomic inequality inherently leads to oppression, and so must be eliminated in order to establish freedom; and since the ruling class is defined by its superior socioeconomic position, in abolishing inequality we abolish the ruling class as well.

The other radical approach had its roots in the writings of Rousseau's contemporary Adam Smith, but received its full development only in the nineteenth century: in France, by the followers of the economist Jean-Baptiste Say;<sup>20</sup> in England, by James Mill and the Philosophical Radicals; and in the United States, first by Jeffersonian agrarians like John Taylor and John Calhoun, and later by individualist anarchists like Lysander Spooner and Benjamin Tucker. I shall call it the *Smithian theory of class*.

Smith is often thought of today, by admirers and detractors alike, as a defender of business interests; but Smith saw himself as a defender of laborers and consumers against the "mercantile interest."<sup>21</sup> Smith's defense of *capitalism* did not translate into a defense of *capitalists*; on the contrary, Smith maintained that businessmen never meet together without the conversation ending in a "conspiracy against the public." Smith's antagonism was not toward economic inequality as such; Smith had a positive-sum approach to economics, maintaining that the free market that allowed a few to amass vast fortunes also created dramatic improvements in the living conditions of the many. Rather, Smith's concern focused on the ability of the wealthy to use their wealth to influence the political process in their favor through governmental grants of subsidy and monopoly. The danger was not wealth per se, but the ability of

<sup>20</sup> The most important in this context were Charles Comte, Charles Dunoyer, Augustin Thierry, Frédéric Bastiat, and Gustave de Molinari. For a good introduction, see Leonard P. Liggio, "Charles Dunoyer and French Classical Liberalism," *Journal of Libertarian Studies*, vol. 1, no. 3 (Summer 1977), pp. 153-78; and David M. Hart, "Gustave de Molinari and the Anti-Statist Liberal Tradition: Part I," *Journal of Libertarian Studies*, vol. 5, no. 3 (Summer 1981), pp. 263-90; cf. also Ralph Raico, "Classical Liberal Exploitation Theory," *Journal of Libertarian Studies*, vol. 1, no. 3 (Summer 1977), pp. 179-83; Mark Weinburg, "The Social Analysis of Three Early Nineteenth Century French Liberals: Say, Comte, and Dunoyer," *Journal of Libertarian Studies*, vol. 2, no. 1 (1978), pp. 45-63; and Joseph T. Salerno, "Comment on the French Liberal School," *Journal of Libertarian Studies*, vol. 2, no. 1 (1978), pp. 65-68.

<sup>21</sup> See Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (William Benton Pub., 1952), p. 211:

The capricious ambition of kings and ministers has not, during the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers. . . . That it was the spirit of monopoly which originally both invented and propagated this [mercantilist] doctrine cannot be doubted; and they who first taught it were by no means such fools as they who believed it. . . . [T]he interested sophistry of merchants and manufacturers confounded the common sense of mankind. Their interest is, in this respect, directly opposed to that of the great body of the people.

wealth to sway the counsels of state. It was this concern that Smith's French, English, and American admirers developed into a full-fledged theory of class. For the Smithian liberal, the source of the ruling class's dominant position was not its economic status as such, but its differential access to state power; the ruling and ruled classes were defined not by their relative socioeconomic position, but by the extent to which they were beneficiaries or victims of state power. One contemporary LibCap proponent of the Smithian theory of class explains the difference this way:

While Marxist class analysis uses the relationship to the mode of production as its point of reference, libertarian class analysis uses the relationship to the political means as its standard. Society is divided into two classes: those who use the political means, which is force, and those who use the economic means, which requires voluntary interaction. The former is the ruling class which lives off the labor and wealth of the latter.<sup>22</sup>

By its nature, the Smithian theorists thought, a powerful state attracts special interests who will try to direct its activities, and whichever achieves the most sway (presumably by being the wealthiest) will constitute a ruling class. So long as this class holds the reins of power, attempts to check its influence will prove ineffective. Since the Smithian theory defines the ruling class as an artifact of state power, the way to attack that class is to go after state power instead. The anarchist wing of Smithian liberalism favored eliminating the state altogether; more moderate liberals favored keeping the state but severely curbing its power through structural and constitutional safeguards (and here they drew once more, though in a different context, on the checks and balances of republican tradition). The idea common to both anarchists and moderates, however, was that the key to a ruling class's power is a powerful state, and that the ruling class must wither away if that power source is either eliminated or sufficiently curtailed. While Rousseauvian socialists saw a ruling class as an elite group that developed its power in the cutthroat capitalist marketplace and then used this power to gain political domination as well, the Smithian liberals saw the state as the crucial source of power for elites, arguing that the power of such "special interests" could not survive in a free marketplace but depended crucially on special privileges from government. A power must exist in order for it to be abused to benefit those with political pull; so every power we strip away from government is one more brick removed from the foundation that upholds the ruling class. Special interests cannot win favors from the state if it has no favors to give out.

<sup>22</sup> Wendy McElroy, "Introduction: The Roots of Individualist Feminism in Nineteenth-Century America," in McElroy, ed., *Freedom, Feminism, and the State: An Overview of Individualist Feminism*, 2d ed. (New York: Holmes and Meier, 1992), p. 23.

Rousseau and his intellectual heirs, by contrast, were far less sanguine about the ability of market competition to keep the power of the rich in check. Unlike the positive-sum Smithians, Rousseau viewed the market as a zero-sum or even negative-sum process, in which those who gain can do so only at the expense of others who lose. For Rousseau, the ability of the rich to oppress the poor does not presuppose state intervention, but arises naturally even in the absence of government. As Rousseau views the historical process, it is the introduction of private property and the division of labor that puts an end to primitive anarcho-communism and leads to socioeconomic stratification and the emergence of a wealthy ruling class; that class then creates the political state in order to solidify the power it has already achieved on the market, thus ending the class struggle by winning it:

So long as men remained content with their rustic huts [and] adorned themselves only with feathers and shells . . . so long as they undertook only what a single person could accomplish, and confined themselves to such arts as did not require the joint labour of several hands, they lived free, healthy, honest, and happy lives. . . . But from the moment one man began to stand in need of the help of another; from the moment it appeared advantageous to any one man to have enough provisions for two, equality disappeared, property was introduced, work became indispensable, and vast forests became smiling fields, which man had to water with the sweat of his brow, and where slavery and misery were soon seen to germinate and grow up with the crops. . . . [I]t was iron and corn, which first civilized men, and ruined humanity. . . . No sooner were artificers wanted to smelt and forge iron, than others were required to maintain them . . . and as some required commodities in exchange for their iron, the rest at length discovered the method of making iron serve for the multiplication of commodities. . . . [T]he strongest did most work; the most skilful turned his labour to best account; the most ingenious devised methods of diminishing his labour. . . . Thus natural inequality unfolds itself [and] the difference between men, developed by their different circumstances, becomes more sensible and permanent in its effects. . . . [W]hen inheritances so increased in number and extent as to occupy the whole of the land, and to border on one another, one man could aggrandize himself only at the expense of another; at the same time the supernumeraries, who had been too weak or too indolent to make such acquisitions, and had grown poor . . . were obliged to receive their subsistence, or steal it, from the rich; and this soon bred, according to their different characters, dominion and slavery, or violence and rapine. The wealthy, on their part, had no sooner begun to taste the pleasure of command, than they disdained all others, and using their old slaves to acquire new, thought of nothing but subduing and enslaving their neighbours; like ravenous wolves,

which, having once tasted human flesh, despise every other food and thenceforth seek only men to devour. . . . The new-born state of society thus gave rise to a horrible state of war. . . . Destitute of valid reasons to justify and sufficient strength to defend himself . . . the rich man, thus urged by necessity, conceived at length the profoundest plan that ever entered the mind of man: this was to employ in his favour the forces of those who attacked him. . . . "Let us join," said he, "to [establish] a supreme power which may govern us by wise laws . . . and maintain eternal harmony among us." All ran headlong to their chains, in hopes of securing their liberty. . . . The most capable of foreseeing the dangers were the very persons who expected to benefit by them. . . . Such was, or may well have been, the origin of society and law, which bound new fetters on the poor, and gave new powers to the rich; which irretrievably destroyed natural liberty, eternally fixed the law of property and inequality, converted clever usurpation into unalterable right, and, for the advantage of a few ambitious individuals, subjected all mankind to perpetual labour, slavery, and wretchedness.<sup>23</sup>

The Marxist theory of the origin of classes essentially recapitulates that of Rousseau. As Friedrich Engels writes, in what seems almost a paraphrase of Rousseau's *Second Discourse*:

Civilization opens with a new advance in the division of labor. . . . Confronted by the new forces in whose growth it had had no share, the gentile constitution was helpless. . . . [H]ere was a society which by all its economic conditions of life had been forced to split itself into freemen and slaves, into the exploiting rich and the exploited poor. . . . Such a society could only exist either in the continuous open fight of these classes against one another or else under the rule of a third power, which, apparently standing above the warring classes, suppressed their open conflict and allowed the class struggle to be fought out at most in the economic field, in so-called legal form. The gentile constitution was finished. It had been shattered by the division of labor and its result, the cleavage of society into classes. It was replaced by the *state*. . . . As the state arose from the need to keep class antagonisms in check, but also arose in the thick of the fight between the classes, it is normally the state of the most powerful, economically dominant class, which by its means becomes also the politically dominant class and so acquires new means of holding down and exploiting the oppressed class.<sup>24</sup>

<sup>23</sup> Jean-Jacques Rousseau, *Discourse on the Origin of Inequality*, in Rousseau, *The Social Contract and Discourses*, trans. G. D. H. Cole et al. (London: J. M. Dent, 1982), pp. 83-89.

<sup>24</sup> Frederick Engels, *The Origin of the Family, Private Property, and the State*, trans. Alec West et al. (New York: International Publishers, 1985), pp. 224-31.

But Rousseau was not the only influence on Marx and Engels, who actually drew on the Smithian theory of class as well. Indeed, Marx always acknowledged (if somewhat ironically) his debt to the "bourgeois economists," but of course he transformed the details of their theories in order to bring them more in line with the Rousseauvian position. As LibCap theorist Murray Rothbard notes:

Interestingly enough, the very Marxian phrase, the "replacement of government over *men* by the administration of *things*," can be traced, by a circuitous route, from the great French radical laissez-faire liberals of the early nineteenth century, Charles Comte (no relation to Auguste Comte) and Charles Dunoyer. And so, too, may the concept of the "class struggle"; except that for Dunoyer and Comte, the inherently antithetical classes were not businessmen versus workers, but the producers in society (including free businessmen, workers, peasants, etc.) versus the exploiting classes constituting, and privileged by, the State apparatus.<sup>25</sup>

The French theorists [Comte, Dunoyer, and Thierry] developed the insight that Europe had originally been dominated by a ruling class of kings, or of feudal nobility. They believed that with the rise of capitalism and free markets, of "*industrialisme*," there would be no ruling class, and the class-run State would wither away, resulting in a "classless," Stateless, free society. Saint-Simon was originally a Comte-Dunoyer libertarian, and then in later life he, and particularly his followers, changed the class analysis while keeping the original categories, to maintain that employers somehow rule or exploit the workers in a free-market wage relationship. Marx adopted the Saint-Simonian class analysis so that Marxism to this day maintains a totally inconsistent definition of class: On Asiatic despotism and feudalism, the old libertarian concept of ruling class as wielder-of-State-power is maintained; then, when capitalism is discussed, suddenly the definition shifts to the employers forming a "ruling class" over workers on the free market. The alleged capitalist class rule over the State is only extra icing on the cake, the "super-exploitation" by an "executive committee" of a ruling class previously constituted on the market.<sup>26</sup>

Since Rousseau and Marx saw the source of power for elites as the marketplace, they concluded that it was the marketplace that needed to be

<sup>25</sup> Murray N. Rothbard, *Left and Right: The Prospects for Liberty* (Washington, DC: Cato Institute, 1982), p. 7.

<sup>26</sup> Murray N. Rothbard, "Concepts of the Role of Intellectuals in Social Change Toward Laissez Faire," *Journal of Libertarian Studies*, vol. 9, no. 2 (Fall 1990), p. 66, n. 30; cf. Rothbard, "The Laissez-Faire Radical: A Quest for the Historical Mises," *Journal of Libertarian Studies*, vol. 5, no. 3 (Summer 1981), pp. 244-45.

restrained (Rousseau) or eliminated (Marx), and that big government could be trusted, once the marketplace could no longer corrupt it, to wield dictatorial powers in a benign fashion either indefinitely (Rousseau) or until it was no longer necessary, at which point it would politely wither away (Marx). The Smithian liberals, by contrast, since they saw the state as the source of the dominant elites' power, concluded that it was the state that needed to be restrained or eliminated, and that the free market could be trusted to coordinate human interaction once the state could no longer intervene on behalf of the economic aristocracy.

Today's LibCaps, when they think about class at all, tend to endorse some version of the Smithian theory, and to reject the Rousseauvian alternative as bad economics. By contrast, LibSocs and LibPops consider LibCap faith in the beneficence of the unregulated market to be naive, and tend to be much more attracted to some version of the Rousseauvian theory, though they are likely to temper it with elements of the Smithian theory as well. Therefore, the fundamental question of class theory is also one of the main issues at the root of the divisions among the various libertarian camps; as Walter Grinder succinctly puts it: "Which comes first—classes and then the State or the State and then classes?"<sup>27</sup>

#### IV. STATOCRATS AND PLUTOCRATS

We can gain a better understanding of the nature of a ruling class if we distinguish two possible subclasses within it: those who actually hold political office within the state, and those who influence the state from the private sector.

If the State is a group of plunderers, *who* then constitutes the State? Clearly, the ruling elite consists at any time of (a) the full-time *apparatus*—the kings, politicians, and bureaucrats who man and operate the State; and (b) the groups who have maneuvered to gain privileges, subsidies, and benefices from the State. The remainder of society constitutes the ruled.<sup>28</sup>

I propose to call group (a) the *statocratic class*, or *statocracy*,<sup>29</sup> and group (b) the *plutocratic class*, or *plutocracy*. It is self-evident that a statocratic class must depend for its power on the existence of the state; the question at

<sup>27</sup> Walter E. Grinder, "Introduction," in Albert Jay Nock, *Our Enemy the State* (New York: Free Life Editions, 1973), p. xx.

<sup>28</sup> Murray N. Rothbard, *For a New Liberty: The Libertarian Manifesto*, rev. ed. (San Francisco: Fox and Wilkes, 1994), p. 52. Unfortunately, Rothbard does not go on to tell us much about the dynamic between these two components.

<sup>29</sup> I borrow these terms from Bertrand de Jouvenel, who defines "statocrat" as "a man who derives his authority only from the position which he holds and the office which he performs in the service of the state." See Bertrand de Jouvenel, *On Power: The Natural History of Its Growth*, trans. J. F. Huntington (Indianapolis: Liberty Fund, 1993), p. 174, n. 4.



issue between Smithians and Rousseauvians is whether the same is true of a plutocratic class as well.

For those who view society in terms of ruling classes, then, there are five salient possibilities.<sup>30</sup> One might accept the existence of a statocratic ruling class, but deny the existence of a plutocratic one; call this the *Statocracy-Only* position. Or one might accept the existence of a plutocratic ruling class, but deny the existence of a statocratic one; call this the *Plutocracy-Only* position. If instead one grants the existence of both statocratic and plutocratic classes, then three possibilities remain. First, one might think, with the Smithians, that the statocratic class is the basic source of oppression on which the power of the plutocratic class depends; call this the *Statocracy-Dominant* position. Second, one might think, with the Rousseauvians, that the plutocratic class is the basic source of oppression on which the power of the statocratic class depends; call this the *Plutocracy-Dominant* position. Finally, one might think that neither class is more fundamental than the other, that statocrats and plutocrats represent equal and coordinate threats to liberty; call this the *Neither-Dominant* position.

What might motivate these various positions? Consider first the Plutocracy-Only view. To take this position is to deny that the state represents a significant source of oppression at all; political institutions are beneficent (or at least neutral), but they have not yet succeeded in overcoming the power of private wealth, the only true ruling class. This view or something like it is held by some socialists, but generally not by libertarian ones; suspicion of the state is central to libertarianism in all its forms.

A more attractive position for libertarians is the view I call Plutocracy-Dominant. On this view (essentially the Rousseauvian approach), the state is oppressive, yet not because of its inherent nature, but rather because it has become a tool of the plutocratic class. One LibSoc theorist who seems to subscribe to this view is Noam Chomsky:

[Y]ou can't get away from the fact that there are sharp differences in power which in fact are ultimately rooted in the economic system. . . . Objective power lies in various places: in patriarchy, in race. [But c]rucially, it lies in ownership. . . . The society [is] governed by those who own it. . . . That's at the core of things. Lots of other things can change and that can remain and we will have pretty much the same forms of domination.<sup>31</sup>

The government is far from benign—that's true. On the other hand, it's at least partially accountable, and it can become as benign as we make it.

<sup>30</sup> These five are not the only possibilities, of course. Indeed, I shall be arguing that none of them gets it exactly right. But the sixth approach that I favor will not become salient until we see what is wrong with the initially salient five.

<sup>31</sup> Noam Chomsky, *Keeping the Rabble in Line* (Monroe: Common Courage Press, 1994), pp. 109–11.

What's not benign (what's extremely harmful, in fact) is . . . business power, which is highly concentrated and, by now, largely transnational. Business power is very far from benign and it's completely unaccountable. It's a totalitarian system that has an enormous effect on our lives. It's also the main reason why the government isn't benign.<sup>32</sup>

Although Chomsky is an anarchist, these remarks suggest that in his view the abolition of state power, while perhaps desirable, would be a matter of no great urgency in the absence of "business power."

This perspective is not confined to LibSocs. While LibPops are staunch defenders of inviolable private property at the level of homesteads and small businesses (and so would part company with the Rousseauvians when it comes to blaming oppression on private property as such), they see the power of big banks and corporations as a threat to liberty; and although they see "business power" as using the state for its ends, they seem to regard the former as the cause of the latter's malfeasance rather than vice versa. Consider, for example, LibPop criticisms of the U.S. Federal Reserve. Although in principle LibPops generally oppose central banking, one often gets the impression from their literature that it is the *private* character of the Federal Reserve that most attracts their ire, and that a central bank run directly by Congress would be far more acceptable to them. (By contrast, the typical LibCap objection to the Federal Reserve is that it is a government monopoly *rather* than a private bank.)

The Plutocracy-Only and Plutocracy-Dominant positions, whether in socialist or populist guise, rest on the assumption that while there is an internal dynamic within the capitalist market that leads to greater and greater centralization of power, there is no analogous internal dynamic within the state itself. This is a difficult claim to believe. Public-choice economics has shown that politicians and bureaucrats respond to incentives in the same way that private individuals on the market do, and that the state's insulation from market competition makes many of those incentives perverse.<sup>33</sup> Moreover, considerable evidence suggests that states have an inherent tendency to grow and aggrandize power.<sup>34</sup>

<sup>32</sup> Noam Chomsky, *Secrets, Lies, and Democracy* (Tucson: Odonian Press, 1994), p. 37. Yet Chomsky does distinguish, as many LibCaps would, between a free-market system and the kind of economic system favored by plutocrats: "Any form of concentrated power, whatever it is, is not going to want to be subjected to popular democratic control or, for that matter, to market discipline. Powerful sectors, including corporate wealth, are naturally opposed to functioning democracy, just as they're opposed to functioning markets, for themselves, at least" (*Keeping the Rabble in Line*, p. 242).

<sup>33</sup> See, for example, James M. Buchanan and Robert D. Tollison, eds., *The Theory of Public Choice: Political Applications of Economics* (Ann Arbor: University of Michigan Press, 1972); and Gordon Tullock, *The Economics of Special Privilege and Rent Seeking* (Boston: Kluwer, 1989).

<sup>34</sup> See, for example, Robert Higgs, *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (Oxford: Oxford University Press, 1987).

Not all LibSocs would agree with Chomsky's suggestion that the state would be benign without the influence of the business interest. When Marx invoked the Plutocracy-Dominant approach in calling for a "dictatorship of the proletariat" during the transitional phase between capitalism and anarcho-communism (on the theory that once it was no longer a tool of the capitalist class, a dictatorial state could be trusted to wield vast powers in the short run and wither away in the long run), the Russian LibSoc anarchist Mikhail Bakunin took Marx to task for naïveté about the internal dynamic of political power:

The question arises, if the proletariat is ruling, over whom will it rule? . . . If there exists a state, there is inevitably domination [and] slavery. . . . What does it mean for the proletariat to be "organized as the ruling class"? . . . Can it really be that the entire proletariat will stand at the head of the administration? . . . There are about forty million Germans. Will all forty millions really be members of the government? . . . The entire nation will be governors and there will be no governed ones. . . . Then there will be no government, no state, but if there is a state, there will be governors and slaves. . . . So, in sum: government of the great majority of popular masses by a privileged minority. But this minority will be composed of workers, say the Marxists. . . . Of former workers, perhaps, but just as soon as they become representatives or rulers of the people *they will cease to be workers*. . . . And they'll start looking down on all ordinary workers from the heights of the state: they will now represent not the people but themselves and their claims to govern the people. He who doubts this simply doesn't know human nature. . . . They say that such a state yoke, a dictatorship, is a necessary transitional means for attaining the most complete popular liberation. So, to liberate the masses of the people they first have to be enslaved. . . . They maintain that only a dictatorship, their own naturally, can create the people's will; we answer: no dictatorship can have any other aim than to perpetuate itself, and it can only give rise to and instill slavery in the people that tolerates it. . . .<sup>35</sup>

In effect, Bakunin was predicting the rise of what Milovan Djilas would later call the "New Class."<sup>36</sup> But Marx remained unpersuaded. To Baku-

<sup>35</sup> Bakunin, in "After the Revolution: Marx Debates Bakunin," in Robert C. Tucker, ed., *The Marx-Engels Reader*, 2d ed. (New York: W. W. Norton, 1978), pp. 542-48.

<sup>36</sup> Milovan Djilas, *The New Class: An Analysis of the Communist System* (New York: Frederick A. Praeger, 1957). Interestingly, Djilas seems to regard the Plutocracy-Dominant position as a viable explanation of most class systems, while treating the Soviet regime as an exception: "In earlier epochs the coming to power of some class, some part of a class, or some party, was the final event resulting from its formation and development. The reverse was true in the U.S.S.R." (p. 38).

nin's suggestion that workers in charge of the State would start to identify with statocratic rather than proletarian interests, and thus effectively cease to be members of the working class, Marx replied:

No more than a factory-owner ceases to be a capitalist nowadays because he has become a member of the town council. . . . If Herr Bakunin knew even one thing about the situation of the manager of a workers' cooperative factory, all his hallucinations about domination would go to the devil.<sup>37</sup>

Marx was convinced that an oppressive statocracy presupposes an independent plutocracy pulling the strings: cut the state's ties to the capitalist class, and an authoritarian centralized dictatorship would no longer pose any danger. In light of the horrors perpetrated by socialist regimes in this century, Marxist insouciance in the face of criticisms like Bakunin's must strike us today as chillingly unconvincing. In their confidence that a socialist dictatorship would govern benignly once established, and then politely wither away when its job was done, it is Marx and Engels who are now seen to have been "utopian socialists," while the anarchist critics they dismissed as idle dreamers turn out to have been the genuine hard-headed realists. Marxism, with its call for dictatorship now and anarchy later, represents a confused attempt to unite opposite tendencies, to merge the authoritarian and libertarian wings of socialism. Janus-headed, Marxism turns its left face toward Proudhon, Bakunin, and Kropotkin—and its right face toward Stalin, Mao, and Pol Pot.

If the Plutocracy-Only and Plutocracy-Dominant positions lack credibility, what of Statocracy-Only? Some LibCaps do seem to hold this view, regarding corporate interests as purely benign, and the victims of socialistic government oppression. Ayn Rand<sup>38</sup> (1905-1982), for example, called

<sup>37</sup> Marx, quoted in *ibid.*, p. 546.

<sup>38</sup> Ayn Rand and her "Objectivist" followers (the orthodox ones, at least) would not accept the title "libertarian." Indeed, one prominent Randian, Peter Schwartz, has authored a thundering condemnation of the entire LibCap movement. (See Schwartz, *Libertarianism: The Perversion of Liberty* [New York: The Intellectual Activist, 1986]; a revised and condensed version appears in Ayn Rand et al., *The Voice of Reason: Essays in Objectivist Thought*, ed. Leonard Peikoff [New York: Penguin, 1989], pp. 311-33.) But I challenge anyone to construct criteria that are simultaneously broad enough to include the major thinkers and traditions of the LibCap movement yet narrow enough to exclude Rand. In my judgment, Rand and her followers should be considered Libertarian Capitalists whether they like the label or not, since the features of the LibCap position they reject are either (a) held by only *some* LibCaps and therefore not essential to the LibCap position, or (b) not held by *any* LibCaps at all and therefore based on misunderstandings (often fantastic ones). Randians try to distance themselves from LibCaps on the grounds that the LibCap movement tolerates a number of different philosophical approaches to grounding libertarianism, while Randians insist that Ayn Rand's Objectivist approach provides the only acceptable grounding. But this is a bit like denying the existence of God yet declining to be called an atheist on the grounds that there are many different kinds of atheists with grounds for disbelief different from one's own; disbelief in God makes one an atheist, regardless of how one feels about other atheists.

big business a "persecuted minority,"<sup>39</sup> and denied the very existence of the military-industrial complex.<sup>40</sup> To her credit, she did acknowledge that many businesses have historically looked to the state for political favors:

The giants of American industry—such as James Jerome Hill or Commodore Vanderbilt or Andrew Carnegie or J. P. Morgan—were self-made men who earned their fortunes by personal ability, by free trade on a free market. But there existed another kind of businessmen, the products of a mixed economy, the men with political pull, who made fortunes by means of special privileges granted to them by the government, such men as the Big Four of the Central Pacific Railroad. It was the political power behind their activities—the power of forced, unearned, economically unjustified privileges—that caused dislocations in the country's economy, hardships, depressions, and mounting public protests. But it was the free market and the free businessmen who took the blame.<sup>41</sup>

So long as a government holds the power of economic control, it will necessarily create a special "elite," an "aristocracy of pull," it will attract the corrupt type of politician into the legislature, it will work to the advantage of the dishonest businessman, and will penalize and, eventually, destroy the honest and the able. . . . The issue is not between pro-business controls and pro-labor controls, but between controls and freedom. It is not the Big Four against the welfare state, but the Big Four and the welfare state on one side—against J. J. Hill and every honest worker on the other.<sup>42</sup>

All this *sounds* like the Statocracy-Dominant position. However, Rand seriously downplayed the importance of the "political pull" variety of

<sup>39</sup> Ayn Rand, "America's Persecuted Minority: Big Business," in Rand et al., *Capitalism: The Unknown Ideal* (New York: New American Library, 1970), pp. 44-62.

<sup>40</sup> "Something called 'the military-industrial complex'—which is a myth or worse—is being blamed for all this country's troubles." Ayn Rand, "Philosophy: Who Needs It," in Rand, *Philosophy: Who Needs It* (Indianapolis: Bobbs-Merrill, 1982), p. 10. On the same page, Rand wrote, breathtakingly, that "the United States Army [is] the army of the last semi-free country left on earth, yet [it is] accused of being a tool of imperialism—and 'imperialism' is the name given to the foreign policy of this country, which has never engaged in military conquest. . . . Our defence budget is being attacked, denounced, and undercut [and] a similar kind of campaign is conducted against the police force." Despite Rand's fierce anti-statism, her equally fierce Vietnam-era pro-American patriotism had a tendency to lead her into what can only be described as astonishingly naive statements, not only about the plutocracy but about the statocracy itself. (Most LibCaps would have a far more skeptical assessment of U.S. foreign policy, for example.)

<sup>41</sup> Rand, "America's Persecuted Minority," pp. 48-49.

<sup>42</sup> Ayn Rand, "Notes on the History of American Free Enterprise," in Rand et al., *Capitalism*, pp. 108-9.

businessmen, by treating the business lobby's use of bribery and influence-peddling as generally benign, thus moving to the Statocracy-Only position instead:

Yet what could the railroads do, except try to "own whole legislatures," if these legislatures held the power of life or death over them? What could the railroads do, except resort to bribery, if they wished to exist at all? Who was to blame and who was "corrupt"—the businessmen who had to pay "protection money" for the right to remain in business—or the politicians who held the power to sell that right? . . . [The railroad owners] had to turn to the practice of bribing legislators only in self-protection. . . . It was only when the legislatures began the blackmail of threatening to pass disastrous and impossible regulations that the railroad owners had to turn to bribery.<sup>43</sup>

This view of American economic history is challenged by a great deal of current scholarly research, which shows that the call for governmental regulation of the economy was largely orchestrated by big business in the first place, as a way of securing its hold on the market and strangling competition.<sup>44</sup> Moreover, Rand's list of "good" businessmen—what historian Burton Folsom would call "market entrepreneurs" as opposed to "political entrepreneurs"<sup>45</sup>—shows the extent to which Rand underestimated the extent of the problem. James J. Hill of the Great Northern Railroad is plausible enough as an example of an independent "market entrepreneur" who refused to seek governmental favors, but Vanderbilt and Carnegie hardly fall into that category, while J. P. Morgan is its antithesis; indeed, it would be difficult to name any turn-of-the-century American businessman who did more to help build

<sup>43</sup> *Ibid.*, pp. 107–8.

<sup>44</sup> For a LibSoc analysis, see Gabriel Kolko, *Railroads and Regulation* (Princeton: Princeton University Press, 1965); and Kolko, *The Triumph of Conservatism* (Chicago: Quadrangle Publishing, 1967). For a LibCap analysis, see Roy A. Childs, Jr., "Big Business and the Rise of American Statism," in Joan Kennedy Taylor, ed., *Liberty against Power: Essays by Roy A. Childs, Jr.* (San Francisco: Fox and Wilkes, 1994), pp. 15–47, as well as Weaver, *The Suicidal Corporation*.

<sup>45</sup> Burton W. Folsom, *The Myth of the Robber Barons* (Herndon: Young America's Foundation, 1991), pp. 1–2:

Those [entrepreneurs] who tried to succeed . . . primarily through federal aid . . . we will classify as *political entrepreneurs*. Those who tried to succeed . . . primarily by creating and marketing a superior product at a low cost we will classify as *market entrepreneurs*. No entrepreneur fits perfectly into one category or the other, but most fall generally into one category or the other. The political entrepreneurs often fit the classic Robber Baron mold; they stifled productivity (through monopolies and pools), corrupted business and politics, and dulled America's competitive edge. Market entrepreneurs, by contrast, often made decisive and unpredictable contributions to American economic development.

the regulatory pro-business regime than Morgan, the *consummate* "political entrepreneur."<sup>46</sup>

Rand saw figures like Vanderbilt, Carnegie, and Morgan as market entrepreneurs because they were *self-made men*. True, their initial *acquisition* of wealth depended primarily on their own ability and initiative, not on political favoritism. From this fact, however, Rand made the erroneous inference that these men did not use their vast fortunes, once they had acquired them, to gain political advantage:

It is significant that the best of the railroad builders, those who started out with private funds, did not bribe legislatures to throttle competitors nor to obtain any kind of special legal advantage or privilege. They made their fortunes by their own personal ability—and if they resorted to bribery at all, like Commodore Vanderbilt, it was only to buy the removal of some artificial restriction, such as a permission to consolidate. They did not pay to *get* something from the legislature, but only to get the legislature out of their way. But the builders who started out with government help, such as the Big Four of the Central Pacific, were the ones who used the government for special advantages and owed their fortunes to legislation more than to personal ability. . . . It is only with the help of government regulations that a man of lesser ability can destroy his better competitors—and he is the only type of man who runs to government for economic help.<sup>47</sup>

But this claim will not withstand historical scrutiny. Businessmen cannot be divided into two classes, one rising by economic means and using economic means thenceforth, and another rising by political means and using political means thenceforth. On the contrary, many of those who

<sup>46</sup> In *Liberty against Power*, pp. 30, 38–39, 41–43, Roy Childs offers a LibCap analysis of Morgan less favorable than Rand's:

[S]uch key figures in the Progressive Era as J. P. Morgan got their starts in alliances with the government. . . . J. P. Morgan & Co. . . . sponsored legislation to promote the formation of "public utilities," a special privilege monopoly granted by the state. . . . AT&T, controlled by J. P. Morgan as of 1907, also sought regulation. The company got what it wanted in 1910, when telephones were placed under the jurisdiction of the ICC, and rate wars became a thing of the past. . . . Morgan, because of his ownership or control of many major corporations, was in the fight for regulation from the earliest days onward. Morgan's financial power and reputation were largely the result of his operations with the American and European governments. . . . One crucial aspect of the banking system at the beginning of the 1900s was the relative decrease in New York's financial dominance and the rise of competitors. Morgan was fully aware of the diffusion of banking power that was taking place, and it disturbed him. . . . From very early days, Morgan had championed the cause of a central bank, of gaining control over the nation's credit through a board of leading bankers under government supervision. . . . J. P. Morgan, the key financial leader, was also a prime mover of American statism.

<sup>47</sup> Rand, "Notes," p. 108.