

LIBERALISM, MARXISM, AND THE STATE

Ralph Raico

Liberalism

The great transformation that is taking place today in east-central Europe and in the Soviet Union has led many people to reconsider the merits of an ideology once thought to be obsolete—liberalism. In the West, some have gone so far as to prophesy “the end of history.” They argue that liberalism is on the point of becoming the sole ideology of any significance, so that soon the conflict of political ideas will cease to trouble mankind (Fukuyama 1989). Their conclusion appears highly unlikely, and, in any case, prophecy is not science. This paper deals with liberalism as it has been understood historically and considers its connection with a certain strand of Marxist thought—a strand that may well be much more important now than other elements of the Marxist tradition that have been emphasized in the past.

Liberalism has, of course, many meanings, and many different orientations have chosen to call themselves liberal. Without arguing the point, I wish to maintain that the most authentic and characteristic form of liberalism has been concerned with two things: first, expansion of the free functioning of civil society, and, second, and increasingly, restriction of the state’s activity.¹

Liberalism arose in the 17th and 18th centuries as Europe’s response to monarchical absolutism. Where the monarchs by divine right claimed to control and direct all of the life of society, liberalism replied that, by and large, it is best to leave civil society to run itself—in religion, in thought and culture, and, not least, in economic affairs. The liberal slogans of *laissez faire*, *laissez passer*, and *le monde va*

Cato Journal, Vol. 11, No. 3 (Winter 1992). Copyright © Cato Institute. All rights reserved.

The author is Professor of History at the State University College at Buffalo.

¹See my essay-review of Anthony Arblaster (Raico 1989, pp. 157–68).

de lui-même ("the world goes by itself") encapsulated the liberal philosophy.²

Sometimes through revolution, more often through piecemeal reform, liberalism accomplished much of its program. Throughout the Western world a system developed based on free labor, clear individual property rights, and freedom of exchange. Nowhere—even in England or America—was this system consistently realized in every aspect of economic life. Yet, as the great Austrian economist Ludwig von Mises (1927, p. 1) put it, it was enough to change the countenance of the world. For the first time, mankind was able to escape the Malthusian trap.³ With the enormous increase in population came a steadily increasing per capita income. What this dry little fact meant in the lives of the many, many millions still awaits its poets and novelists. In reality, the only imaginative writer to have done justice to this great transformation was the novelist who was born in Leningrad, came to America, and wrote under the name of Ayn Rand.

But the bureaucratic-military state that had emerged in Europe in the early modern period, though excluded from some areas of social life, remained entrenched. Soon it began to expand again. By the early 19th century, independent thinkers all across the political spectrum, from conservatives to anarchists, were alarmed at the growth of the parasitic state.⁴ Even in England—in 1830—the liberal historian Thomas Babington Macaulay (1907, p. 221) could conjure up the specter of "the all-devouring State." This was a problem that also concerned Karl Marx and Friedrich Engels.

²It is true that sometimes liberals in the earlier period sought to use the State to thwart the will to domination of the lesser powers—church, feudal estates, artisans' guilds, and so on. But after the French Revolution and Napoleon, it grew increasingly clear where the threat to liberty lay.

³There is a large and growing literature on this subject. Basic introductions to this topic are Jones (1987) and Rosenberg and Birdzell (1986).

⁴In his own day, Bakunin (1972, pp. 343–44) provided an interesting insight into the creation of a parasitic state *ab ovo*:

There are no nobles, no big landowners, no industrialists, and no very wealthy merchants in Turkish Serbia. Yet in spite of this there emerged a new bureaucratic aristocracy composed of young men educated, partly at state expense, in Odessa, Moscow [and elsewhere] . . . these young men [had] distinguished themselves by their love for their people, their liberalism, and lately by their democratic and socialistic inclinations. But no sooner did they enter the state's service than the iron logic of their situation . . . took its toll. . . . Since there is no other employment for educated young men, they become state functionaries, and become members of the only aristocracy in the country, the bureaucratic class.

Marxism and the Parasitic State

As has been sometimes noted (Hunt 1974, pp. 124–31; Conway 1987, pp. 162–64; Raico 1977, pp. 179–83), Marxism contains two rather different views of the state. Most conspicuously, it views the state as the instrument of domination by exploiting classes that are defined by their position within the process of social production, for example, the capitalists. The state is simply “the executive committee of the ruling class.” Sometimes, however, Marx characterized the state itself as the independently exploiting agent. In *The Eighteenth Brumaire of Louis Bonaparte*, Marx considered the state as it developed in France. In a brilliant passage, (which Bertrand de Jouvenel [1949, p. 9] quoted in his classic, *On Power*, as an example of “The Minotaur Presented”), Marx declared:

This executive power, with its enormous bureaucracy and military organization, with its ingenious state machinery, embracing wide strata, with a host of officials numbering half a million, besides an army of another half million, this appalling parasitic body, which enmeshes the body of French society like a net and chokes all its pores, sprang up in the days of the absolute monarchy.

All regimes assisted in the growth of this state parasite, according to Marx (Marx and Engels 1983, vol. 1, p. 477):

Every *common* interest was straightway severed from society . . . snatched from the activity of society’s members themselves, and made an object of government activity. . . . All revolutions perfected this machine instead of smashing it. The parties that contended for domination regarded the possession of this huge state edifice as the principal spoils of the victor.

Some 20 years later, Marx (Marx and Engels 1983, vol. 2, p. 222) spoke of the Paris Commune aiming at restoring “to the social body all the forces hitherto absorbed by the state parasite feeding upon and clogging the free movement of society.” In 1891, in his preface to Marx’s *Civil War in France*, Engels (Marx and Engels 1983, vol. 2, p. 188) referred to the United States:

[There] we find two great gangs of political speculators, who alternately take possession of the state power and exploit it by the most corrupt means for the most corrupt ends—the nation is powerless against these two great cartels of politicians who are ostensibly its servants, but in reality dominate and plunder it.

Thus, the conception of the parasite state is clearly enunciated by the founders of Marxism. Several decades before they wrote, however, an influential group of French liberals had already singled out the parasitic state as the major example in modern society of the

plundering and devouring spirit. This school of liberalism elaborated a doctrine of the conflict of classes and, in this respect, had not only a logical, but also a historical, connection with Marxism. Moreover, it can be taken as virtually the ideal type of authentic, radical liberalism and, in that respect, has relevance to the present day. Indeed, scholars are beginning to identify writers associated with this school as pioneers in the theory of rent seeking.⁵ For these reasons, I think it is worthwhile briefly to sketch the views of these liberals.

Class Conflict Theory and the French “Industrialist” Liberals

In a well-known letter written in 1852 to his follower, Joseph Weydemeyer, the first exponent of Marxism in the United States,⁶ Marx asserted:

No credit is due to me for discovering the existence of classes in modern society or the struggle between them. Long before me, bourgeois historians had described the historical development of this class struggle and bourgeois economists, the economic anatomy of the classes.⁷

The two most prominent “bourgeois historians” whom he named were the Frenchmen, François Guizot and Augustin Thierry; two years later, Marx referred to Thierry as “the father of the ‘class struggle’ in French historiography.”⁸ This “bourgeois” lineage of the Marxist theory was freely conceded in later years by Engels and the Marxists of the Second International period, such as Plekhanov, Franz Mehring, and Lenin.⁹

Liberal class conflict theory emerged in a polished form in France during the Bourbon Restoration, following the final defeat and exile of Napoleon. From 1817 to 1819, two young liberal intellectuals, Charles Comte and Charles Dunoyer, edited the journal, *Le Censeur Européen*. Beginning with the second issue, Thierry collaborated closely with them. *Le Censeur Européen* developed and disseminated a radical version of liberalism, one that drew on a wide tradition

⁵Patricia J. Ezent and Thomas L. Martin (1984, pp. 255–62) have persuasively argued that Say was an important source for the modern theory of rent seeking. On Destutt de Tracy, see Dimand and West (1989, pp. 210–15).

⁶Marx to J. Weydemeyer on March 5, 1852 (Marx and Engels 1965, 67–70).

⁷Marx (Marx and Engels 1965, p. 69) stated that his own contributions were limited to having shown that classes are not a permanent feature of human society, and that the class struggle will lead to the dictatorship of the proletariat and thence to a classless society.

⁸Marx to Engels on July 27, 1854 (Marx and Engels 1965, p. 87).

⁹See, for instance, Lenin ([1917] 1943, p. 30).

of French liberal thought that included Condorcet, Jean-Baptiste Say, Benjamin Constant, and the *Idéologue* school led by Destutt de Tracy. In turn, it continued to influence liberal thought up to the time of Herbert Spencer and beyond. Moreover, through Henri de Saint-Simon and his followers and through other channels, it had an impact on socialist thought as well. Comte and Dunoyer called their doctrine *Industrialisme*.¹⁰

The greatest influence on the Industrialists was Jean-Baptiste Say. Say (1815, p. 14) held that wealth is composed of what has value, and value is based on utility:

[The different ways of producing] all consist in taking a product in one state and putting it into another in which it has more utility and value . . . in one way or another, from the moment that one creates or augments the utility of things, one augments their value, one is exercising an industry, one is producing wealth.

All those members of society who contribute to the creation of values are deemed productive, including not only workers, peasants, scientists, and artists who produce for the market, but also capitalists who advance funds for productive enterprise (but not rentiers off the government debt). Say awards pride of place, however, to the entrepreneur; Say was one of the first to realize the boundless possibilities of a free economy led by creative entrepreneurs (Allix 1910, p. 309).

But categories exist of persons who consume wealth rather than produce it. These unproductive classes include the army, the government, and the state-supported clergy—what could be called the reactionary classes, which are associated by and large with the Old Regime. Still, Say was quite aware that anti-productive and anti-social activity was also possible, indeed, altogether common, when otherwise productive elements used state power to capture privileges (Say [1880] 1964, pp. 146–47).¹¹

The Class Conflict in History

Following Say, the Industrialist liberals posited that society's purpose is the creation of "utility" in the widest sense: the goods and services useful to individuals in the satisfaction of their needs and desires. In striving to meet their needs, individuals have two alternative means available: They may labor to produce wealth themselves,

¹⁰See Dunoyer (1880), Halévy ([1907] 1965), and, especially, Liggio (1977).

¹¹As Euzent and Martin (1984) point out, Say was familiar with why "those engaged in any particular branch of trade are so anxious to have themselves made the subject of regulation." (Say [1880] 1964, pp. 176–77).

or they may plunder the wealth that others have produced (Comte 1817a, pp. 1–2, 9).¹² To attempt to live without producing is to live “as savages.” The producers are “the civilized men.”

The Industrialist doctrine may be summarized in the statement that the history of all hitherto existing society is the history of struggles between the plundering and the producing classes. Feudalism, for instance, was essentially a system for the spoliation of domestic peasants by the warrior elite of “noblemen.” With the rise of towns in the 11th century, one may even speak of two nations sharing the soil of France: the plundering feudal elite and the productive commoners of the towns.

The rapacious nobility was eventually succeeded by equally rapacious kings whose “thefts with violence, alterations of the coinage, bankruptcies, confiscations, hindrances to industry” are the common stuff of France’s history (Comte 1817b, pp. 20–21). With the growth of wealth produced by the commoners, or Third Estate, additional riches became available for expropriation by the parasitic classes.

In modern times, the main types of idle classes have been professional soldiers, monks, nobles, bourgeois who were ennobled, and governments (Dunoyer 1817, pp. 119–26).

Peace and Freedom

A pro-peace position was central to the Industrialist’s point of view: The motto on the title page of each issue of *Le Censeur Européen* was *paix et liberté* (peace and freedom).

The Industrialist attack on militarism and standing armies was savage and relentless. In a typical passage, Dunoyer (1817, p. 120) stated that the “production” of Europe’s standing armies has consisted in “massacres, rapes, pillagings, conflagrations, vices and crimes, the depravation, ruin, and enslavement of the peoples; they have been the shame and scourge of civilization.”

Particularly anathematized were wars engendered by mercantilism, or “the spirit of monopoly . . . the pretension of each to be industrious to the exclusion of all others, exclusively to provision the others with the products of its industry” (Dunoyer 1817, p. 131). In the course of a jeremiad against the imperialist foreign policy of the English, Dunoyer (1817, p. 132) stated, significantly: “The result of this pretension was that the spirit of industry became a principle more hostile, more of an enemy to civilization, than the spirit of rapine itself.”

¹²The similarity to Franz Oppenheimer’s analysis is obvious. See Oppenheimer (1975).

In the modern period, the nobles, no longer able to live by directly robbing the industrious, began to fill government positions; they lived by a new form of tribute, "under the name of taxes" (Comte 1817b, p. 33). Members of the bourgeoisie who achieved noble status no longer tended to their own businesses and, in the end, had no means of subsistence but the public treasury. Finally, governments, while burdening the producers with taxes, "have very rarely furnished society with the equivalent of the values they received from it for governing" (Dunoyer 1817, p. 124).

The Industrialist writers looked forward to "the extinction of the idle and devouring class" and to the emergence of a social order in which "the fortune of each would be nearly in direct ratio to his merit, that is, to his utility, and almost without exception, none would be destitute except the vicious and useless" (Comte 1817a, pp. 88–89).

State Functionaries as Exploiters

Augustin Thierry (1818, pp. 228, 230) enunciated the Industrialist adherence to strict laissez faire in his review of Tracy's *Commentaire sur l'Esprit des Loix de Montesquieu*:

Government should be good for the liberty of the governed, and that is when it governs to the least possible degree. It should be good for the wealth of the nation, and that is when it acts as little as possible upon the labor that produces it and when it consumes as little as possible. It should be good for the public security, and that is when it protects as much as possible, provided that the protection does not cost more than it brings in. . . . It is in losing their powers of action that governments improve. Each time that the governed gain space, there is progress.

Thierry (1818, pp. 205–6) seconds Destutt de Tracy: "Commerce consists in exchange; it is society itself," and "taxation is always an evil."

The function of government is to ensure security—"whether there is a danger from outside or whether the mad and the idle threaten to disturb the order and peace necessary for labor." In a simile freighted with meaning in the rhetoric of Industrialism, Thierry (1818, p. 244) asserted that any government that exceeds these limits ceases to be a government, properly speaking:

Its action can be classed with the action exerted upon the inhabitants of a land when it is invaded by soldiers; it degenerates into domination, and that occurs regardless of the number of men involved, of the arrangement in which they order themselves, or what titles they take.

In fact, the class of contemporary exploiters that the Industrialist writers investigated more than any other was the government bureaucrats. As Comte (1817b, pp. 29–30) put it:

What must never be lost sight of is that a public functionary, in his capacity as functionary, produces absolutely nothing; that, on the contrary, he exists only on the products of the industrious class; and that he can consume nothing that has not been taken from the producers.

True to the Industrialist concentration on the “economic factor,” Dunoyer (1819, pp. 75–118) surveyed “the influence exercised on the government by the salaries attached to the exercise of public functions.” In the United States—always the model Industrialist country—official salaries, even for the president, are low. Typically, American officials receive an “indemnity” for their work, but nothing that could be called a “salary” (Dunoyer 1819, p. 77). In France, on the other hand, public opinion is shocked not by the exercise of power being made into “a lucrative profession,” but by its being monopolized by a single social class (Dunoyer 1819, p. 78).

Public expenditures, however, bear almost an inverse relationship to the proper functioning of government: In the United States, for instance, where government costs some 40 million francs a year, property is more secure than in England, where it costs more than 3 billion (Dunoyer 1819, p. 80). The characteristics of public employment are the reverse of those in private business. For example,

... ambition, so fertile in happy results in ordinary labor, is here a principle of ruin; and the more a public functionary wishes to progress in the profession he has taken up, the more he tends, as is natural, to raise and increase his profits, the more he becomes a burden to the society that pays him [Dunoyer 1819, pp. 81–82].

As increasing numbers of individuals aspire to government jobs, two tendencies emerge: Government power expands, and the burden of government expenditures and taxation grows. To satisfy the new hordes of office-seekers, the government extends its scope in all directions. It begins to concern itself with the people’s education, health, intellectual life, and morals; sees to the adequacy of the food supply; and regulates industry until “soon there will be no means of escape from its action for any activity, any thought, any portion” of the people’s existence (Dunoyer 1819, p. 86). Functionaries have become “a class that is the enemy of the well-being of all the others” (Dunoyer 1819, p. 88).

Since the enjoyment of government jobs has ceased to be the private preserve of the aristocracy, it has become the goal of everyone

in society (Dunoyer 1819, p. 89). Indeed, one might say that the chief result of the French Revolution was that members of the bourgeoisie were able to gain government jobs. In France there are perhaps "ten times as many aspirants to power than the most gigantic administration could possibly accommodate. . . . Here one would easily find the personnel to govern twenty kingdoms" (Dunoyer 1819, p. 103).

The State and Class Conflict in Liberal Theory

The concept of class conflict linked to the state is one that permeates the history of liberalism from beginning to end. It was especially conspicuous during the struggle against the old "feudal powers," but it is by no means limited to that period. The most radical and authentic liberals perceived the continuing existence of class exploitation by the state in the later 19th, and in the 20th, century.

As time went on, one area of state exploitation captured liberals' attention more than any other: militarism and imperialism. A very long list of examples could be given. In England, for instance, the quintessential liberal, John Bright, opposed the British occupation of Egypt in the 1880s because it was simply a "stock-jobbers' war" (Trevelyan 1913, p. 141). Jeremy Bentham, Richard Cobden, Herbert Spencer, and William Graham Sumner are a few of the liberals who opposed their governments' overseas wars. For generations, the theme of the most "doctrinaire" and consistent liberals was the appropriation by the state's military bureaucracy and its capitalist suppliers of wealth created by the producing classes. In the same spirit, an American writer (Fitzgerald 1972, p. xii) has identified the masses exploited by the military branch of the American state:

It is undoubtedly true that subject population exploitation is a major objective of the military spending coalition. The people marked for exploitation, though, are not the masses of . . . peasants in underdeveloped countries. . . . The exploited masses are United States taxpayers, the most productive and easily managed subject population in the history of the world.

Contemporary Issues

As the French liberals knew, the expansion of government activity keeps pace with the increase in the number of state functionaries, who must somehow justify their incomes and jobs. And today, in every regime throughout the world, the number of state functionaries continues to grow. According to reports in the West, most of the relatively few Soviet bureaucrats who were dismissed under perestroika have been rehired by new intermediate agencies, production

or research associations, or similar groups that are sometimes headed by the former minister himself. It is estimated that the number of Soviet bureaucrats has actually increased by 122,000, bringing the total to about 18 million.¹³

But the experience of hydra-headed bureaucracy is by no means limited to the Soviet Union. Administrations elected on platforms demanding a reduction of the legions of functionaries—whether in Brazil or the United States—seem somehow never to be able to realize their original intentions. It was good of Deputy Prime Minister Leonid I. Abalkin to point out that the U.S. Department of Agriculture has more employees than the Soviet State Commission on Procurement and Food.¹⁴ The conclusion, however, is hardly the one Abalkin seems to favor—that “even” a market economy requires great armies of bureaucrats.

With the emergence of the welfare state, the opportunities for the state “enmeshing society in a net and choking all its pores” become literally endless. In every advanced country, a class now flourishes of state-funded social scientists whose profession consists in discovering and defining—out of the infinite mass of human misery—particular “social problems” that will become the material for further state activity (Gouldner 1970, pp. 344–51).

The monstrous growth of the state apparatus will not be stopped by those who, ignorant of economics and given to literary-moralistic musings, equate a private property market economy with totalitarianism. President Vaclav Havel of Czechoslovakia is, as Steve Pejovich (1991) has written, a “social-democrat,” who continues to harbor a strong bias against capitalism and even against private property.¹⁵ He recently warned against “the stupefying *dictatorship* of consumerism and of pervasive commercialism.”¹⁶ This “dictatorship,” Havel feels, will tend to produce alienation. In the speech in which he discussed this problem, he appealed to German philosophers to help prevent this plunge into alienation by turning to “the service

¹³*Le Figaro*, 4 March 1990.

¹⁴*New York Times*, 15 April 1990.

¹⁵In the summer of 1990, Havel told the editor of *The Spectator*: “I have never said that we should build capitalism in our country. We want to build a functioning economic system, on which prospering economies and trade have been based for millennia, that is, long before capitalism arrived on the scene.” Havel described himself as “a friend of various co-operative, collective forms of ownership, but at the same time I can see that purely private ownership has a legitimate right to exist parallel to them” (Lawson 1990, p. 10).

¹⁶*New York Review of Books*, 26 April 1990, p. 57; emphasis added.

of renewing global human responsibility, the only possible salvation for the contemporary world.”

I doubt that we require the help of German philosophers to remedy the ills caused by an over-emphasis on individualism and private rights. In any case, what is this “dictatorship” of consumerism, this “mindless materialism,” of which Havel—and many other literary intellectuals from east-central Europe—speak? Is it the provision of compact-disc electronic systems to tens and soon hundreds of millions, enabling them to listen to nearly concert hall perfect versions of the music of Tchaikovsky, Shostakovich, and Rachmaninov? Does it consist in making available, in every Western country, well-produced paperback editions of all the great works of literature and philosophy, and of all the modern works as well—especially those that attack the “materialism” of the capitalist system? In America and other Western countries, millions of people have attained the degree of affluence that permits them to interest themselves, in an amateurish way, in original works of art—drawings, paintings, sculptures, and photographs. Their homes are filled with such works, mainly by local artists. Is the affluence that permits this middle-class amateurism another example of “materialism?”

I think a touch of the old Marxist skepticism is in order. For whom does President Havel speak when he derides “consumerism” and “commercialism”? Whose interests are served by eclipsing the market economy and the voluntary choices of consumers?

In the former socialist countries of east-central Europe, as elsewhere, there is in place a stratum of state-subsidized intellectuals in the media, the arts, the press, and education. Writers’ Unions and their counterparts in other fields are everywhere. There is, moreover, a continuing process of the reproduction of this class. I suggest that their social position requires an ideology to justify the continuance of state funds. Perhaps the task of “renewing human global responsibility”—whatever that may be—will be at the center of it.

Conclusion

The “vulgar Marxism,” which in the past dismissed liberal ideology as “nothing but” the rationalization of the bourgeoisie’s interests cannot stand the test of critical examination. I have stressed a dimension of liberal ideology that clearly has great relevance for every nation.

A New Zealand scholar, J. C. Davis (1981, pp. 8–9), reflected on the rise of the Leviathan state during the past 400 years, a process spanning the globe:

The comprehensive, collective state with its assumption of obligations in every aspect of human life, from health and employment,

education to transport, defense to entertainment and leisure, is a feature of every advanced state, whether of the East or the West, and of the aspirations of most Third World governments. Curiously, both revolutionaries and reactionaries, by their demands that the state more closely control social processes, have furthered the growth of Leviathan.

This description is one with which both the great French liberals, whom I have discussed, and Karl Marx could have agreed. The question remains: What realistic alternative exists to state-parasitism? The answer provided by a contemporary French scholar, Raymond Ruyer (1969, pp. 266–67), represents my own point of view and, I think, that of authentic liberalism:

[One must] fully recognize a great truth, which rings as a scandalous paradox and a challenge to the beliefs and quasi-religious faith of the intelligentsia, both in the West and the East, namely, that the only choice is between a bureaucratized political State, seeking power and glory in every domain, including those of art and science; and an “anarchical” regime of self-direction in every economic domain first of all, but also in culture. But the heart of the paradox is . . . that it is only the liberal economic order that can promote “the withering away of the State” and of politics—or at least their limitation—it is not centralizing socialism.

References

- Allix, Edgard. “J.-B. Say et les Origines d’Industrialisme.” *Revue d’Économie Politique* 24 (1910): 303–13, 341–63.
- Bakunin, Mikhail. *Bakunin on Anarchy: Selected Works by the Activist-Founder of World Anarchism*. Translated and edited by Sam Dolgoff. New York: Knopf, 1972.
- Comte, Charles. “Considérations sur l’État Moral de la Nation Française et sur les Causes de l’Instabilité de ses Institutions.” *Le Censeur Européen* 1 (1817a): 1–92.
- Comte, Charles. “De l’Organisation Sociale Considérée dans ses Rapports avec les Moyens de Subsistance des Peuples.” *Le Censeur Européen* 2 (1817b): 1–66.
- Conway, David. *A Farewell to Marx: An Outline and Appraisal of His Theories*. Harmondsworth: Penguin, 1987.
- Davis, J. C. *Utopia and the Ideal Society: A Study of English Utopian Writing, 1516–1700*. Cambridge: Cambridge University Press, 1981.
- Dimand, Robert W., and West, Edwin G. “Destutt de Tracy: A French Precursor of the Virginia School of Public Finance.” *History of Economics Society Bulletin* 11 (Fall 1989): 210–15.
- Dunoyer, Charles. “Du Système de l’Équilibre des Puissances Européennes.” *Le Censeur Européen* 1 (1817): 93–142.

- Dunoyer, Charles. "De l'Influence qu'Exercent sur le Gouvernement les Salaires Attachés à l'Exercice des Fonctions Publiques." *Le Censeur Européen* 11 (1819): 75–118.
- Dunoyer, Charles. "Notice Historique sur l'Industrialisme." *Oeuvres de Charles Dunoyer*. Vol. 3: *Notices de l'Économie Sociale*, pp. 173–99. Paris: Guillaumin, 1880.
- Euzent, Patricia J., and Martin, Thomas L. "Classical Roots of the Emerging Theory of Rent Seeking: The Contribution of Jean-Baptiste Say." *History of Political Economy* 16 (Summer 1984): 255–62.
- Fitzgerald, A. Ernest. *The High Priests of Waste*. New York: Norton, 1972.
- Fukuyama, Francis. "The End of History?" *The National Interest* no. 16 (Summer 1989): 3–18.
- Couldner, Alvin W. *The Coming Crisis of Western Sociology*. New York: Basic Books, 1970.
- Halévy, Elie. "The Economic Doctrine of Saint-Simon." 1907. Reprint. In *The Era of Tyrannies: Essays on Socialism and War*, pp. 21–60. Translated by R. K. Webb. Garden City, N.Y.: Anchor/Doubleday, 1965.
- Hunt, Richard N. *The Political Ideas of Marx and Engels*. Vol. 1: *Marxism and Totalitarian Democracy, 1818–1850*. Pittsburgh: University of Pittsburgh Press, 1974.
- Jones, E. L. *The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia*. 2d ed. Cambridge: Cambridge University Press, 1987.
- de Jouvenel, Bertrand. *On Power*. Translated by J. F. Huntington. New York: Viking, 1949.
- Lawson, Dominic. "Inside the Castle." *The Spectator*, 15 September 1990, p. 10.
- Lenin, V. I. *State and Revolution*. 1917. Reprint. New York: International Publishers, 1943.
- Liggio, Leonard P. "Charles Dunoyer and French Classical Liberalism." *Journal of Libertarian Studies* 1, no. 3 (1977): 153–78.
- Macaulay, Thomas Babington. "Southey's Colloquies." 1830. *Critical and Historical Essays*, vol. 2. London: J. M. Dent, 1907.
- Marx, Karl, and Engels, Friedrich. *Selected Correspondence*. Moscow: Progress Publishers, 1965.
- Marx, Karl, and Engels, Friedrich. *Selected Works in Three Volumes*. Moscow: Progress Publishers, 1983.
- Mises, Ludwig von. *Liberalismus*. Jena: Gustav Fischer, 1927.
- Oppenheimer, Franz. *The State*. Translated by John Gitterman. Introduction by C. Hamilton. New York: Free Life, 1975.
- Pejovich, Steve. *Report of the Center for Education and Research in Free Enterprise*. Texas A & M University, 3 January 1991.
- Raico, Ralph. "Classical Liberal Exploitation Theory: A Comment on Professor Liggio's Paper." *Journal of Libertarian Studies* 1, no. 3 (1977): 179–83.
- Raico, Ralph. "Review of *The Rise and Decline of Western Liberalism*." *Reason Papers*. no. 14 (Spring 1989): 157–68.
- Rosenberg, Nathan, and Birdzell, L. E., Jr. *How the West Grew Rich: The Economic Transformation of the Industrial World*. New York: Basic Books, 1986.

- Ruyer, Raymond. *Éloge de la Société de Consommation*. Paris: Calmann-Lévy, 1969.
- Say, Jean-Baptiste. *Cathéchisme d'Économie Politique, ou Instruction Familiale*. Paris: Crapelet, 1815.
- Say, Jean-Baptiste. *A Treatise on Political Economy, or The Production, Distribution and Consumption of Wealth*. 4th ed. 1880. Translated by C. R. Prinsep. Reprint. New York: Augustus M. Kelley, 1964.
- Thierry, Augustin. "Commentaire sur l'Esprit des Loix de Montesquieu." *Le Censeur Européen* 7 (1818): 191–260.
- Trevelyan, George Macaulay. *The Life of John Bright*. London: Constable, 1913.

PRIVATIZATION SOLVES ALL

Paul Craig Roberts

Both proponents and opponents of privatization emphasize its difficulties. This emphasis is wrong. It is far easier to give people property than to take it away from them. The Bolsheviks seized property all at once. They did not debate endlessly or demoralize themselves by emphasizing the difficulties. No one said, "Oh, the Soviet people, they have no experience with communism." If the Soviet people can endure 70 years of communism, they can certainly endure privatization and the end of bread lines.

The Communist party of the Soviet Union wasted the 20th century trying to do the impossible: to organize production without markets and private property. This ideological effort has failed at great cost, and now pragmatic leaders are attempting to create the conditions for economic success. They have put forward the Shatalin 500-Day Plan.

The Shatalin Plan calls for privatization and market prices; it even sets timetables. But this remarkable document suffers in two ways. It does not say how to achieve privatization, and it is unclear which comes first, privatization or market pricing.

Private Property and Price Liberalization

Reformers are bewildered about how to proceed. They realize that without market prices and capital markets there is no basis for valuation. At what prices, then, are assets to be sold? This problem leads many people to conclude that prices must first be freed to find out what things are worth, but without private property you cannot know.

When prices are freed, some will go up and others will go down. Falling prices will cause unemployment or large deficits, and higher

Cato Journal, Vol. 11, No. 3 (Winter 1992). Copyright © Cato Institute. All rights reserved.

The author holds the William E. Simon Chair in Political Economy at the Center for Strategic and International Studies.