



INSTITUTE FOR HUMANE STUDIES “LIBERTY AND SOCIETY”
Summer Seminars 2011
Dr. David M. Hart



“THE STATE AND THE RULING CLASS”
IHS “Liberty and Society” Summer Seminar 2011
Dr. David M. Hart

LECTURE OVERVIEW



I. Introduction & Definitions

II. Some Key Features of the State

i. Force - Legitimacy - Monopoly - Functions

III. Some Key Features of the Ruling Class

i. Access - Control - Benefits - Interests

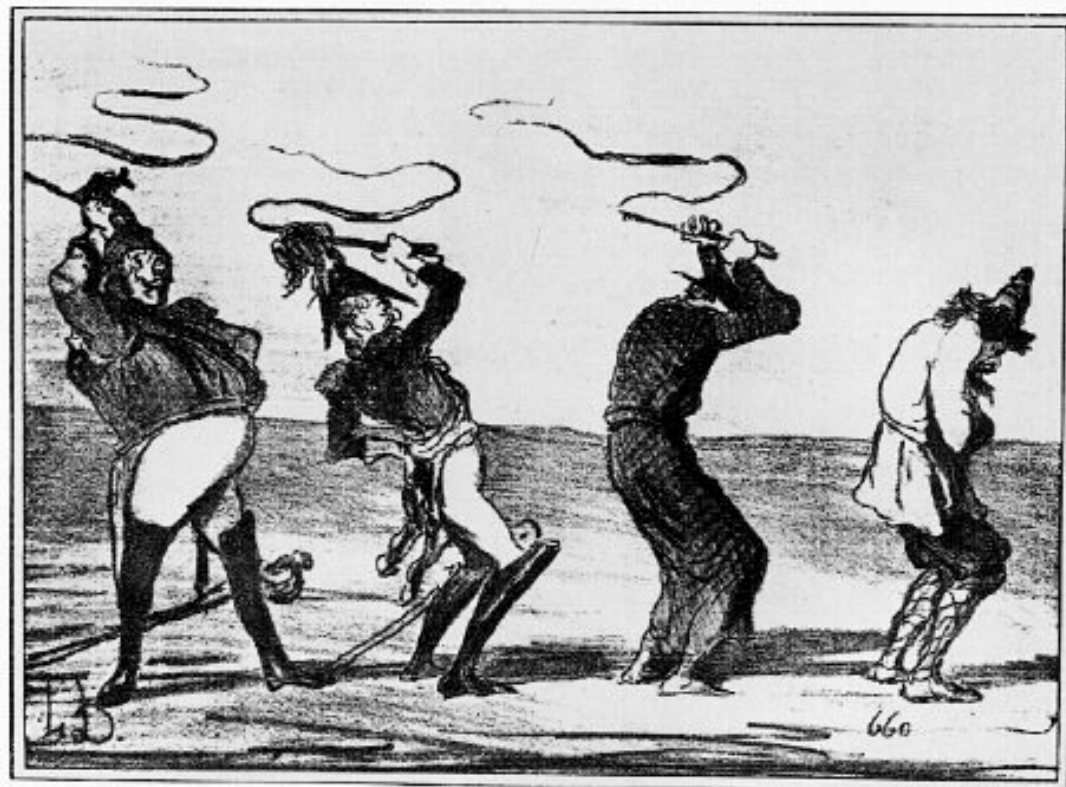
IV. Conclusion



Some Questions to Consider

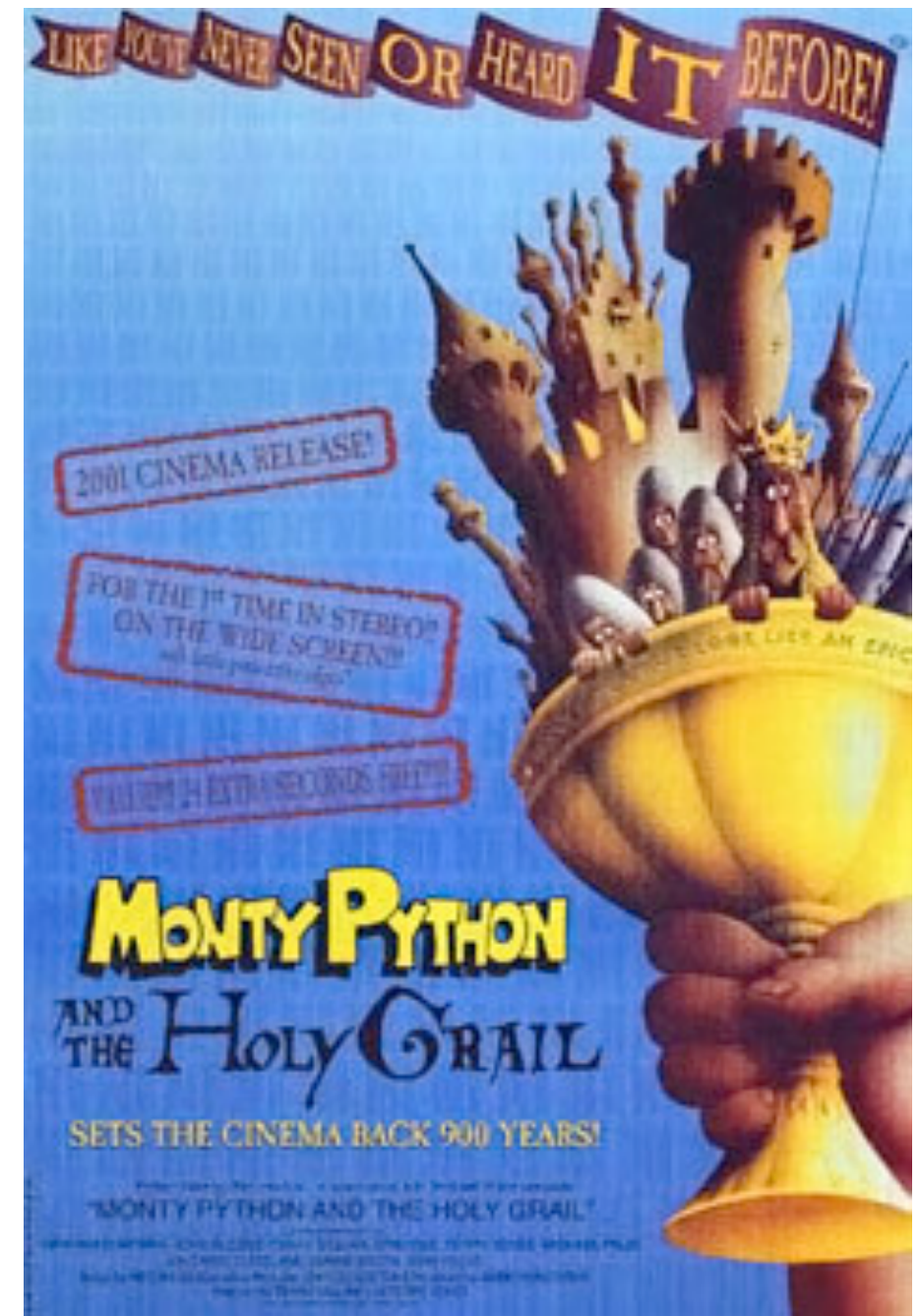
The State & the Ruling Class

- where did the state come from?
- who gets to be the ruler?
- what makes them a “legitimate” ruler?
- how do they treat those whom they rule?
- what role does force (violence, coercion) play in these processes?
- what should states do? (if anything)
- why do people obey their rulers?
- what have people thought about who gets to rule, why, and how?
- what does Monty Python think about all this?



The Army Hierarchy.

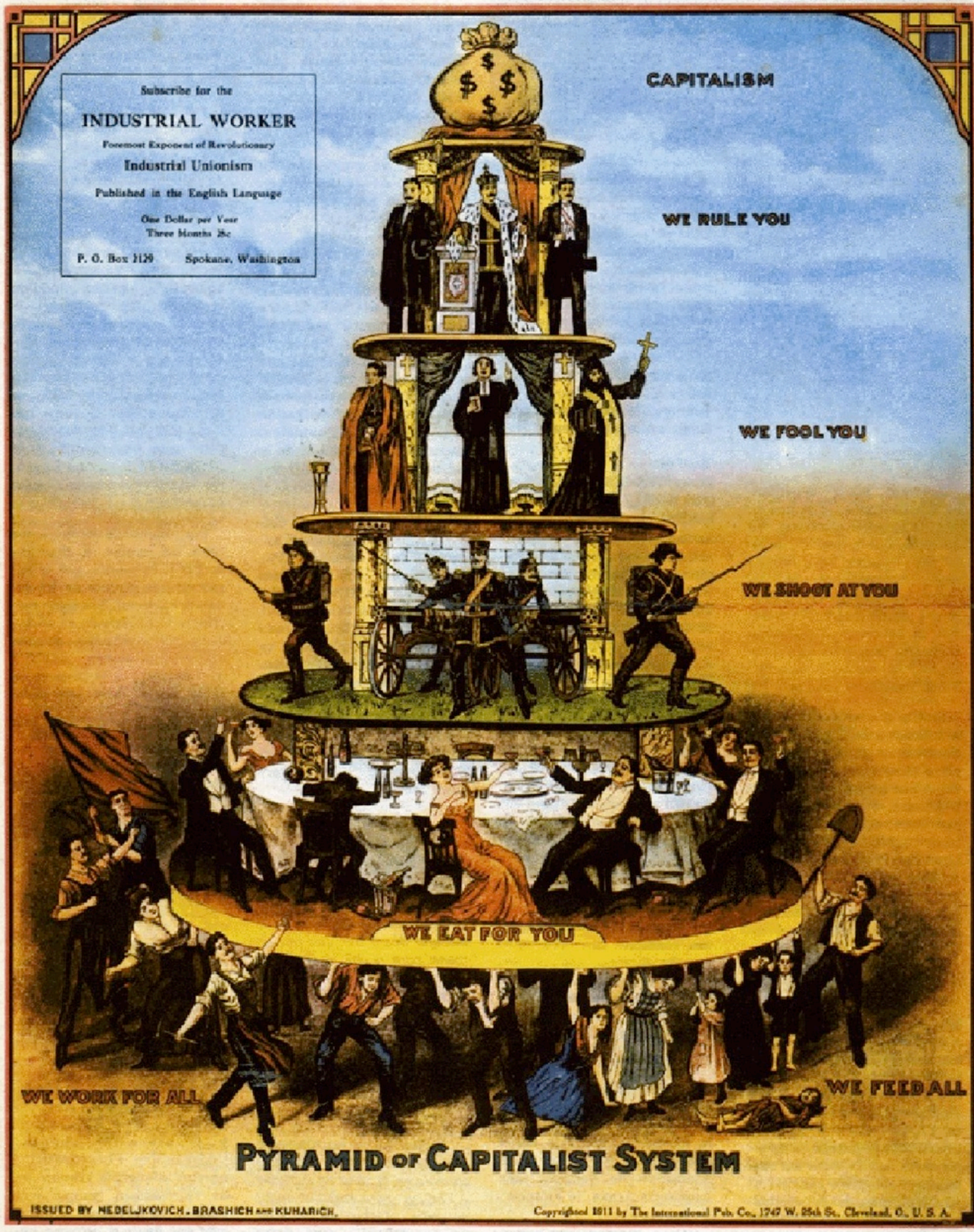
“The Constitutional Peasants” scene from Terry Gilliam & Terry Jones, *Monty Python and the Holy Grail* (1975) - 3 mins 10



“The Constitutional Peasants” from *Monty Python and the Holy Grail* (1975)



“The Constitutional Peasants” from *Monty Python and the Holy Grail* (1975)



Class analysis is commonly but mistakenly thought to be “**Marxist**”

- KM thought all economic exchanges involved “exploitation”
- **zero sum game** where one party had to lose if the other party gained
- hence **all wage labour exploits the “worker”** for the benefit of the “capitalist”
- on the back of the **WC Atlas** are the capitalists, military, church, legal system, etc.
- thus “liberation” requires the violent overthrow and dispossession of the “capitalist class” in a **revolution** on behalf of the “proletariat” or working classes

{The American International Workers of the World (IWW) poster from 1911}

ATLAS SHRUGGED



IN THEATERS
April 15, 2011

HARMON KASLOW & JOHN AGUILAR PRODUCTIONS "ATLAS SHRUGGED PART I" TAYLOR SCHILLING GRANT BOWLER MATTHEW MARSDEN EDI GATHECI GRAHAM BECKEL JSU GARCIA JON POLITO MICHAEL LEARNER
CASTING BY RONNIE YESKEL, C.S.A. AND SHARON HOWARD-FIELD MUSIC ELIA CAYRAL EDITOR JIM FLYNN SHERRIL SCHLESINGER COSTUME DESIGNER JENNIFER SOULAGES PRODUCTION DESIGNER JOHN MOTT GRAPHICS SCOTT J. DESAPPO
PG-13 PARENTS STRONGLY CAUTIONED
SOME MATERIAL MAY BE INAPPROPRIATE FOR CHILDREN UNDER 13
FOR SOME SEXUALITY
WRITTEN & PRODUCED BY ROSS BERRYMAN A.C.S./A.S.C. LINE PRODUCER BRUCE WAYNE GILLIES PRODUCERS HARMON KASLOW & JOHN AGUILAR
BASED ON THE NOVEL BY AYN RAND SCREENPLAY BY BRIAN PATRICK O'TOOLE AND JOHN AGUILAR DIRECTED BY PAUL JOHANSSON
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WWW.ATLASHRUGGEDPART1.COM

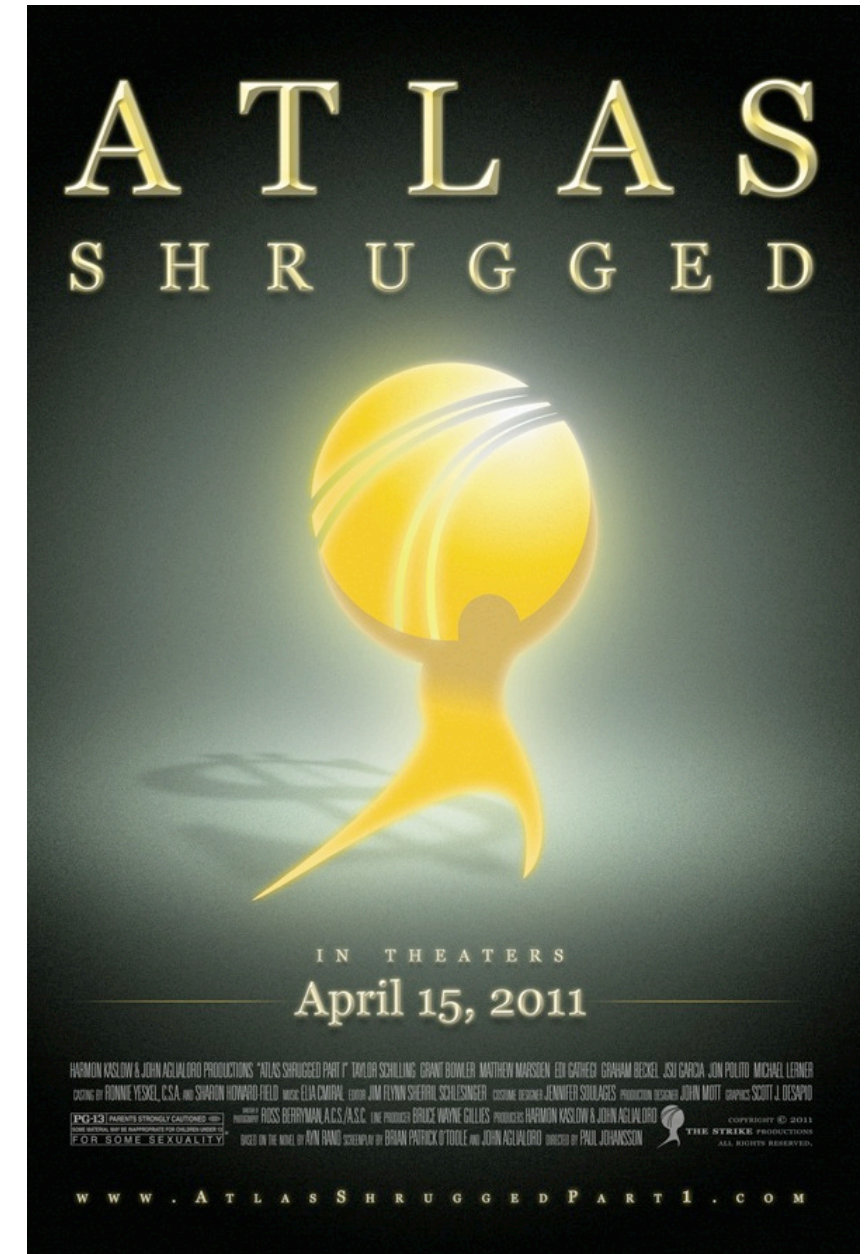
**Who/what is the burden weighing on Atlas' shoulders?
He is being oppressed & exploited.
Does this mean that Ayn Rand is really a Marxist?**



18thC



19thC



20thC

There is another non-Marxist (classical liberal) tradition of thinking about class, the state & exploitation.

Classical Liberal Theory of Class, State, & Exploitation: The Role of Taxes and Coercion

The **Classical Liberal** Idea of Class Analysis & the State

- predates KM - “what is correct in KM’s theory of class is not original, and what is original in KM’s theory of class is not correct”
- difference due to different notions of “**exploitation**”
 - KM - all economic relations involve exploitation
 - CL - voluntary economic relations are not exploitative (mutually beneficial voluntary exchanges); exploitation occurs when force or politics is involved (via the State)
- strong tradition of **Classical Liberal class analysis** in 18th & 19th C



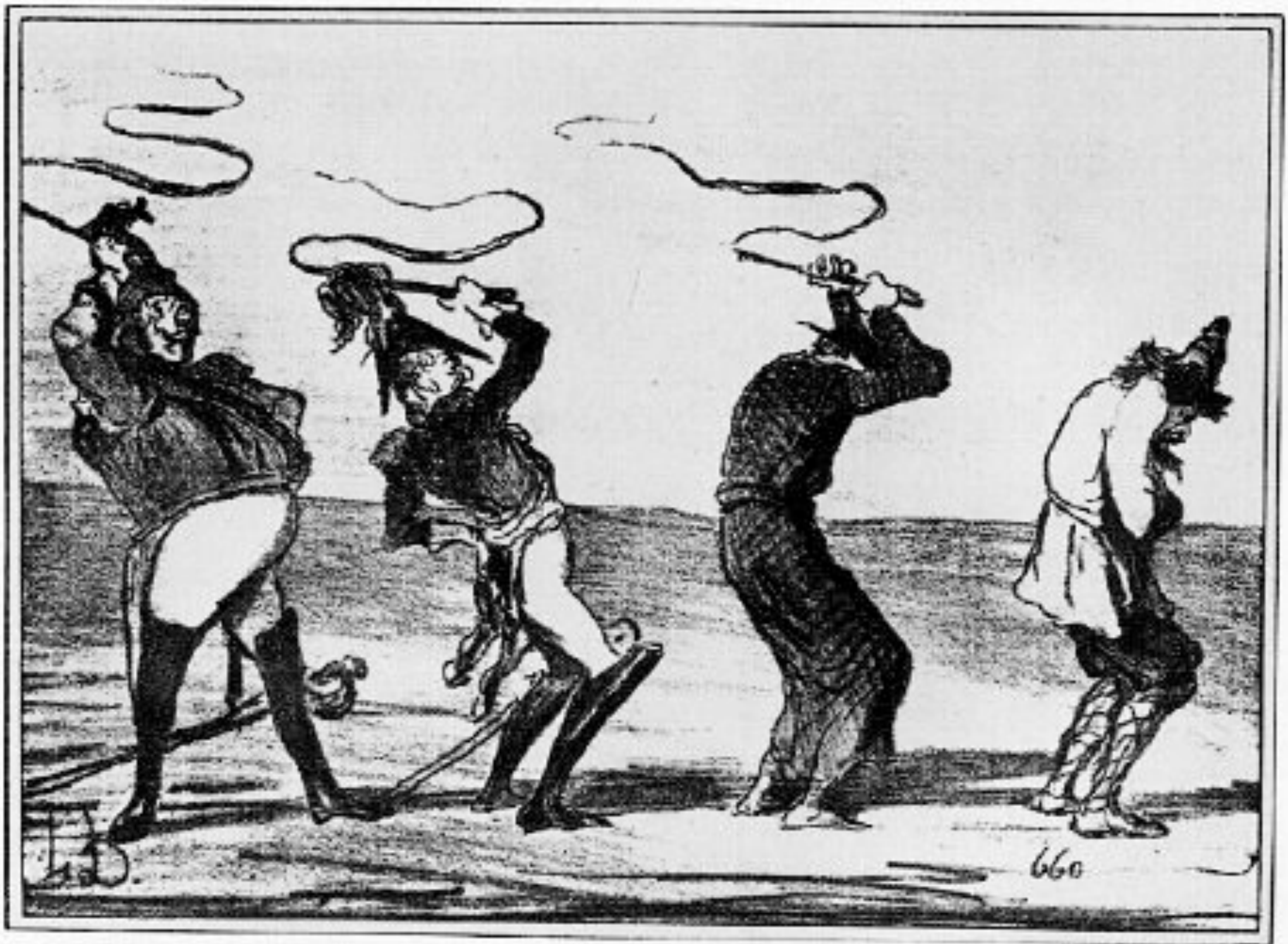
{Honoré Daumier, “Gargantua” (1831)}
[the sovereign power as a “tax eater”]



Honoré Daumier, "Gargantua" (1831)

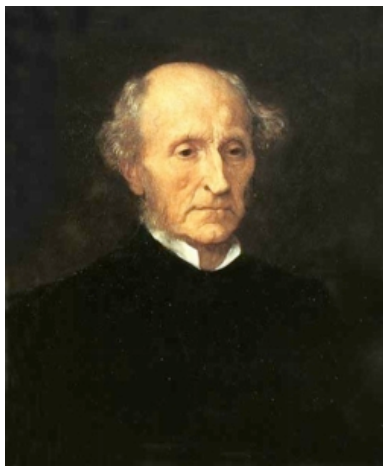


John Wade, *The Extraordinary Black Book* (1834)

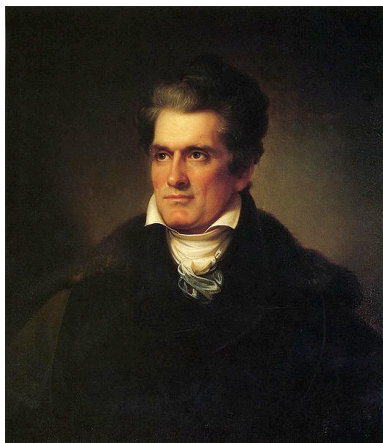


The Army hierarchy.

Honoré Daumier, *The Army Hierarchy* (1850s)



J.S. Mill (1806-1873)



John C. Calhoun (1782-1850)



F. Bastiat (1801-1850)

19thC Classical Liberal Notions of Class Analysis (i)

1. **The Philosophic Radicals** (Jeremy Bentham, James Mill, J.S. Mill) - the sinister interests

- the “sinister interest of the ruling one and the sub-ruling few” - the aristocratic, landed, banking, mercantile interests
- “those who pillage” vs. “those who are pillaged”

2. **John C. Calhoun (1782-1850)**

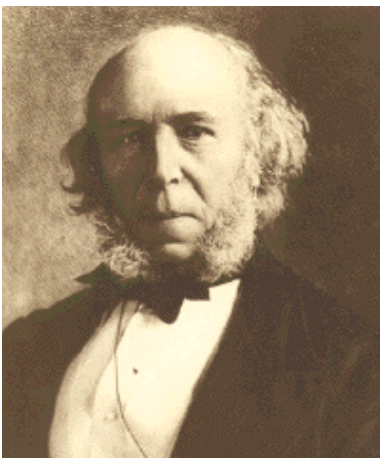
- the “tax-payers” - those who pay more in taxes than they receive in benefits
- the “tax-consumers” - those who receive more in taxes than they pay in taxes

3. **Frédéric Bastiat (1801-1850)** - “legal plunder” & “parasitism”

- the “plundering classes” - theological, aristocratic, mercantile, financial, bureaucratic, socialist
- under democracy there is “reciprocal pillage”



Gustave de Molinari
(1819-1912)



Herbert Spencer
(1820-1903)



Franz Oppenheimer
(1864-1943)

19thC Classical Liberal Notions of Class Analysis (ii)

4. **Gustave de Molinari (1819-1912)**

- “place seeking” in the modern bureaucratic state

5. **Herbert Spencer (1820-1903)** - industrial vs. militant societies

- industrial societies based upon voluntary economic activity
- militant societies based upon coercive political activity

6. **Vilfredo Pareto (1848-1923)** - rule by an “elite”

- history is the continuous replacement or “circulation” of elites

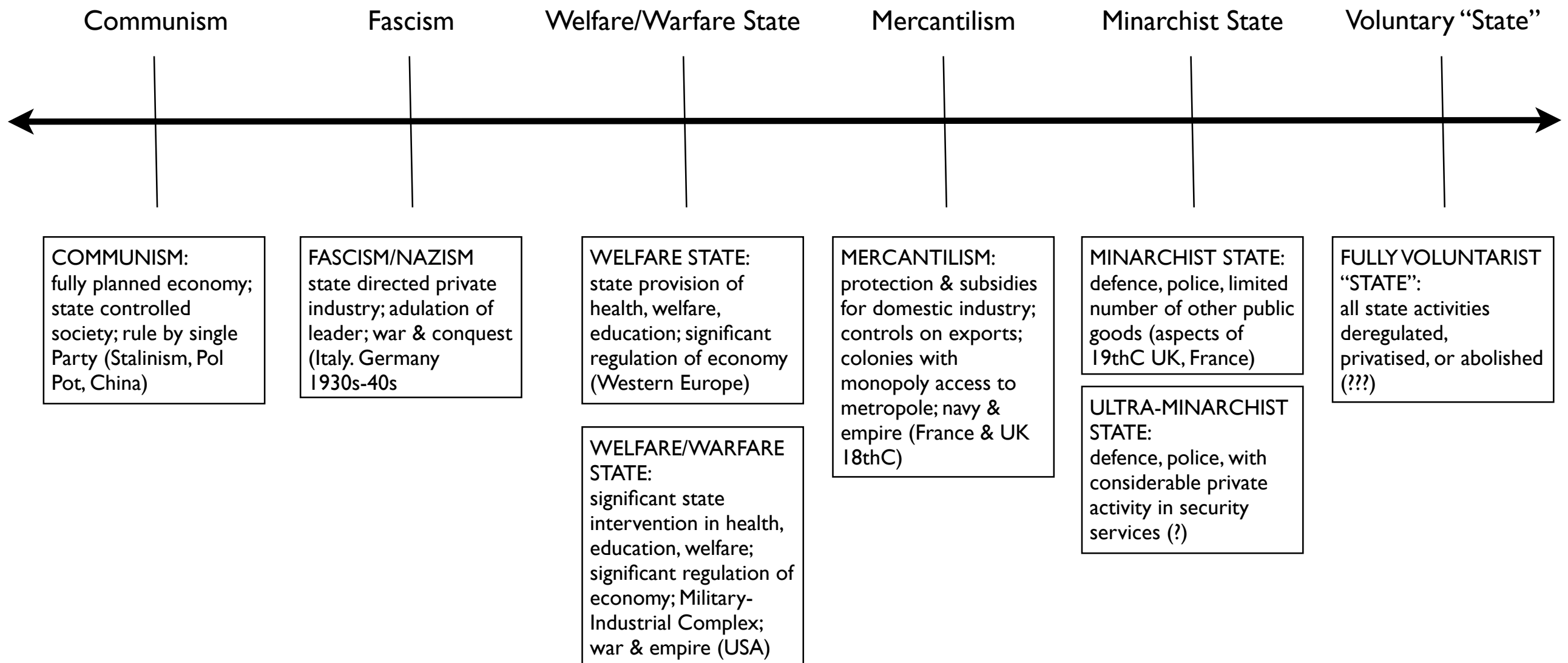
7. **Franz Oppenheimer (1864-1943)** - economic vs. political means of acquiring wealth

- economic means based upon voluntary economic activity
- political means based upon coercive political activity

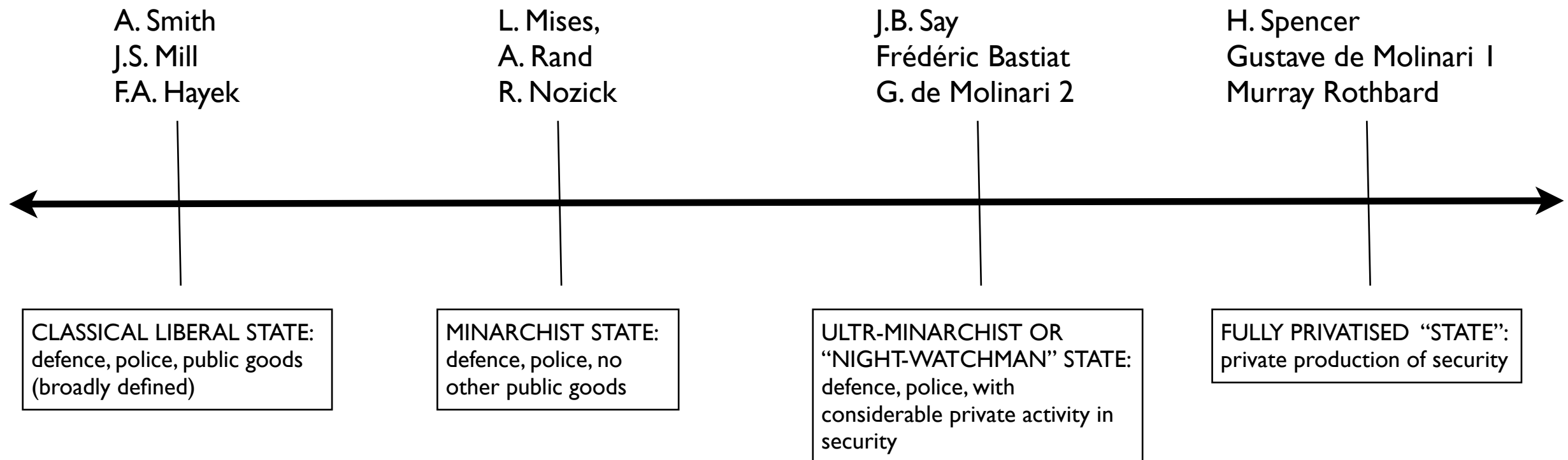
Spectrum of State Power

POWER

LIBERTY



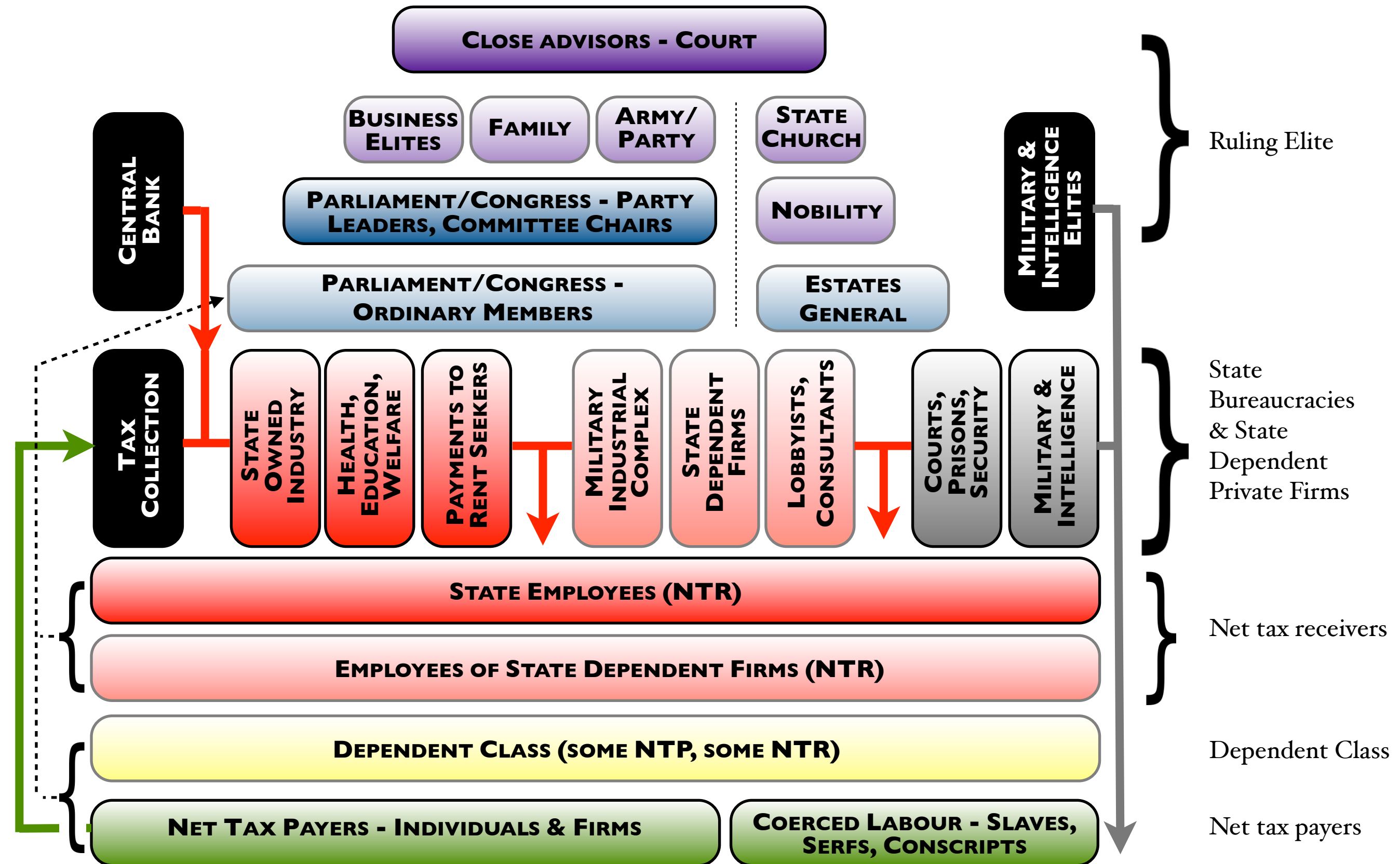
Functions of the Classical Liberal State





The Institutions & Class Structure of the State

[Dr. David M. Hart, July 2011]



Key to Schematic of State Power & Class Structure



CLOSE ADVISORS

**ARMY/PARTY/
BUSINESS/NOBLES**

**CONGRESSIONAL
LEADERS**

ORDINARY MPs

**TAX
COLLECTION**

**STATE
SECURITY**

**STATE INSTITUTIONS &
EMPLOYEES**

**STATE DEPENDENT
FIRMS & EMPLOYEES**

DEPENDENT CLASS

NET TAX PAYERS

The Sovereign Power (King, President, Emperor).

The Ruling Elite (imperial purple and dark royal blue, bracketed by red bar) - the ultimate decision makers of policy, drawn from the ruling family, tribe, army, nobility, church, political party, senior leaders of congress or parliament, and legal, banking, industrial, security elites.

Representatives of the People elected to Congress or Parliament (pale blue) - the real power wielders in Parliament are the senior party leaders and the chairmen of the more important congressional committees. Most MPs are concerned with getting re-elected and serving the vested interests in their state or district.

Command Centres of the State and Economy (black) - institutions essential to the overall operation of the State (tax collection, control of money, violence) - Central Bank, security forces (army and police).

Force Wielding Institutions (steel grey) - institutions which have a monopoly of the use of force or violence - security, police, prisons, military. Grey arrows show direction of the use of force (downwards).

State Bureaucracies, Institutions, & their Employees (blood red) - net tax receivers (NTR) who usually have a state protected monopoly of an activity which may or may not exist in a free market.

State Dependent Firms & their Employees (pink) - nominally private firms which receive the bulk (perhaps all) of their income from the tax payers via state contracts. Net Tax Receivers.

The Dependent Class (yellow) - people who receive benefits from the state such as health, retirement, or other welfare. Some were NTP when working but are now NTR. Others have always been NTR.

Net Tax Payers (green) - consists of individuals and firms who pay more in taxes than they receive in state benefits. Historically, there have also been groups who have been forced to labour for little or no remuneration (slaves, serfs, conscripts). Green arrows show flow of tax money upwards. Red arrows show state payments flowing downwards. Black dotted lines show voting of politicians into Parliament.

II. SOME KEY FEATURES OF THE STATE



I. Introduction & Definitions

II. Some Key Features of the State

i. Force - Legitimacy - Monopoly - Functions

III. Some Key Features of the Ruling Class

i. Access - Control - Benefits - Interests

IV. Conclusion

II. Some Key Features of the State: Summary

1. the State has a **monopoly of the use of force**
2. the State claims it the sole **legitimacy** to exercise this force
3. the State claims a **monopoly** in key sectors of the economy
4. the State claims that **different standard of morality** applies to its actions
5. the State needs **obedient & compliant taxpayers** & citizens who will “Obey & Pay”
6. the State has an **historical tendency to expand** its powers



II. Some Key Features of the State

- I. **Force:** the State has a monopoly of the use of force in a given geographic area (military power, police power, regulation, confiscation (taxes), conscription):
 - “the organization of the political means” of acquiring wealth (F. Oppenheimer)
 - “legal Plunder” (F. Bastiat)



II. Some Key Features of the State

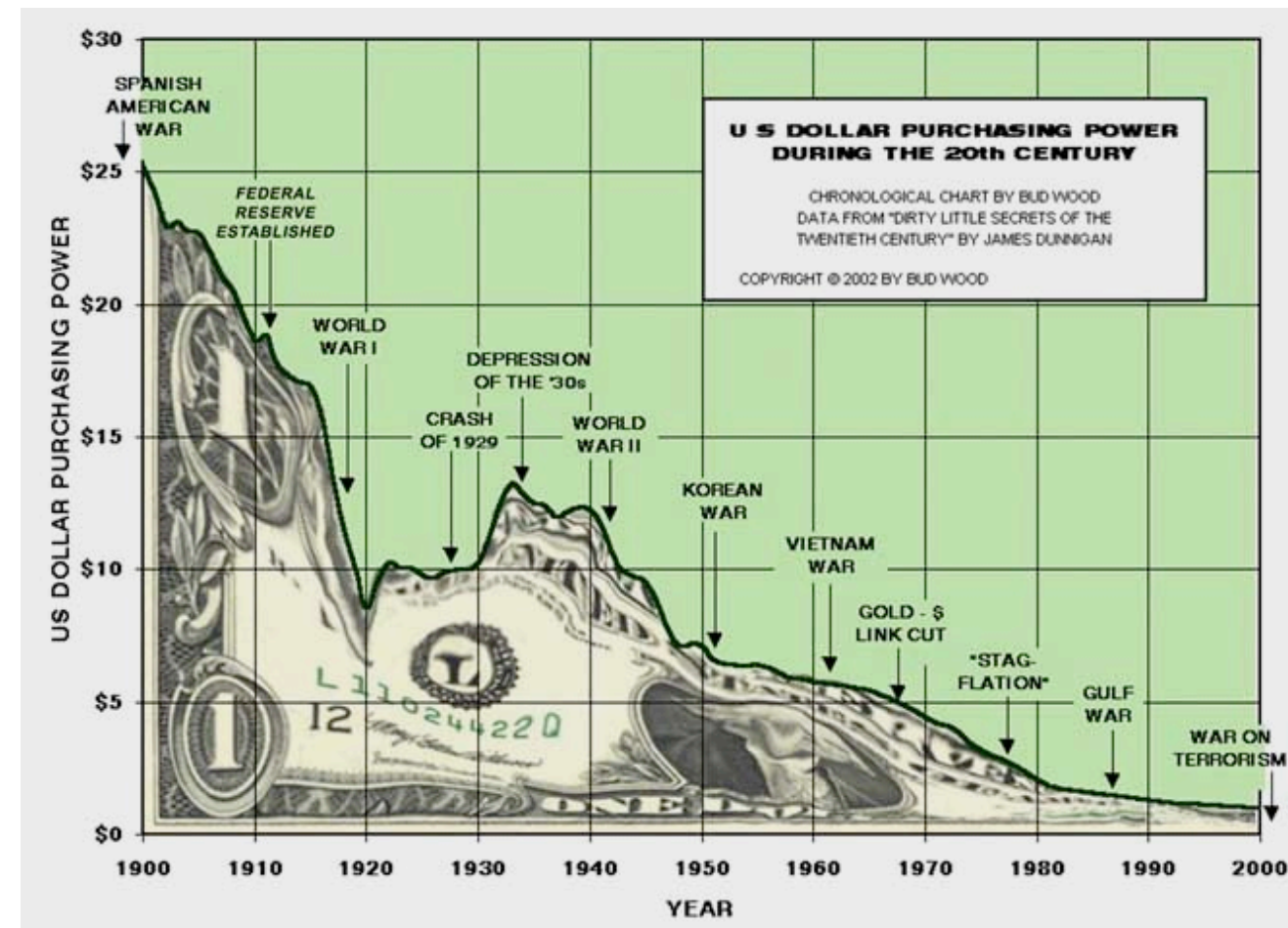
2. **Legitimacy:** the State claims it has the sole legitimacy to exercise this force & this comes from God, family, history, personal charisma, “the people”:
- traditionally - “throne and altar”
 - inculcated via public education: nationalist history, “civics”
 - importance of public rituals: coronations, state funerals
 - role “court historians” to portray govt. in best possible light - now includes journalists

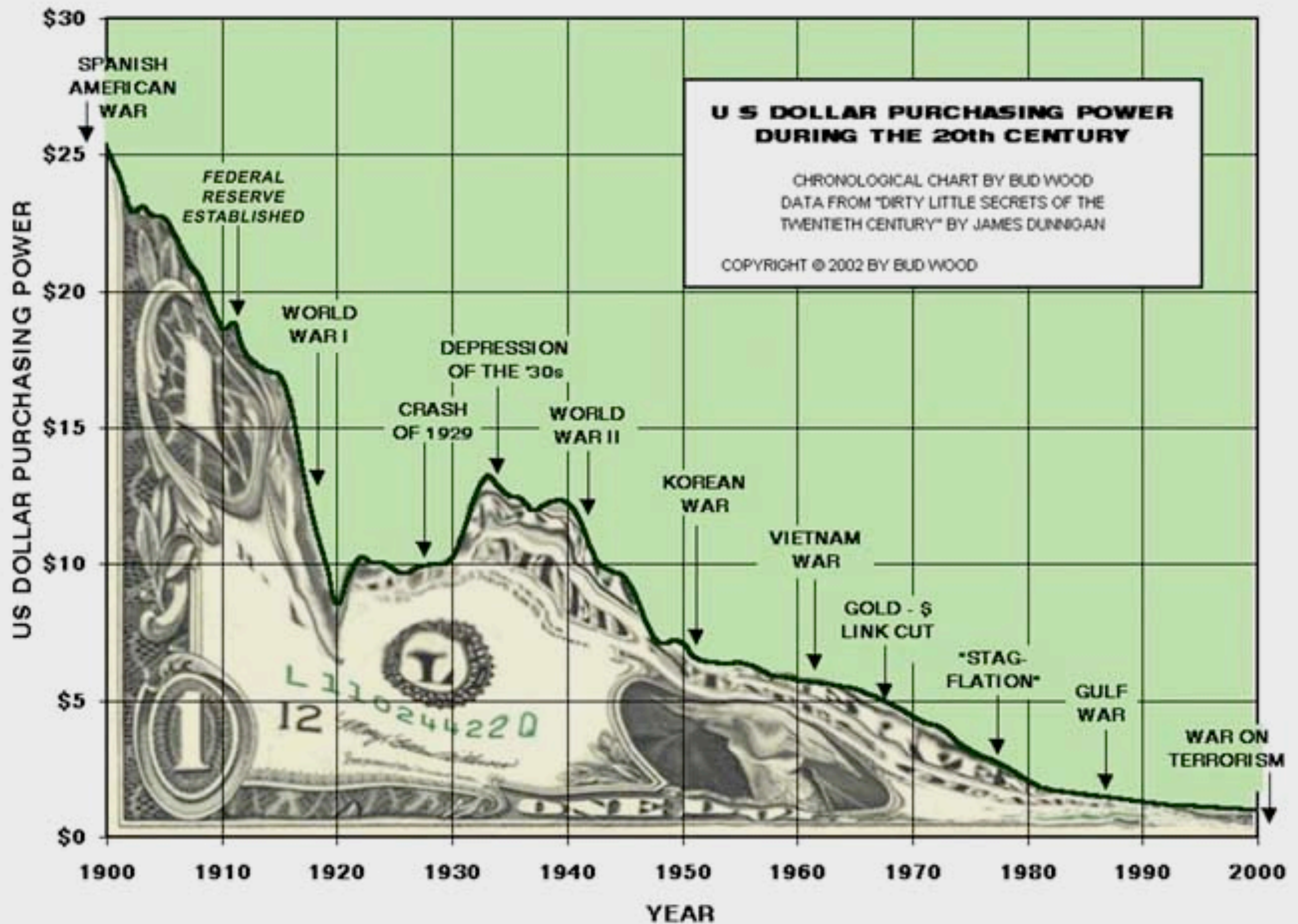


II. Some Key Features of the State

3. **Monopoly:** the State claims a monopoly in the provision of key sectors of the economy (pubic goods, money, infrastructure):

- money
- police & courts
- transport & communication infrastructure
- other public goods





II. Some Key Features of the State

4. **A Tale of Two Moralities:** A different standard of moral and legal judgement is applied to the state:

- taxation is not theft; regulation is not oppression; conscription is not slavery; killing is not murder
- G. Orwell's 1984: "war is peace, freedom is slavery, ignorance is strength"
- Moral Theory 1: a natural rights theory of morality argues that "theft is theft" no matter who does it, etc.
- Moral Theory 2a: if a sovereign has the power to do something, then it is "legal" (Nixonian Theory of Morality)
- Moral Theory 2b: "the greatest happiness of the greatest number justifies anything" (modified Benthamism)



II. Some Key Features of the State

5. The State needs **obedient & compliant taxpayers**, citizens, & soldiers who will “Obey & Pay”:
- reduces cost of enforcement if citizens accept legitimacy of State
 - need then for a culture of authority & obedience
 - instilled through public schools, main stream media, popular culture
 - raises the moral and political problem of the “willing executioners” (S. Milgram experiment at Yale, Philip Zimbardo’s Stanford Prison experiment)

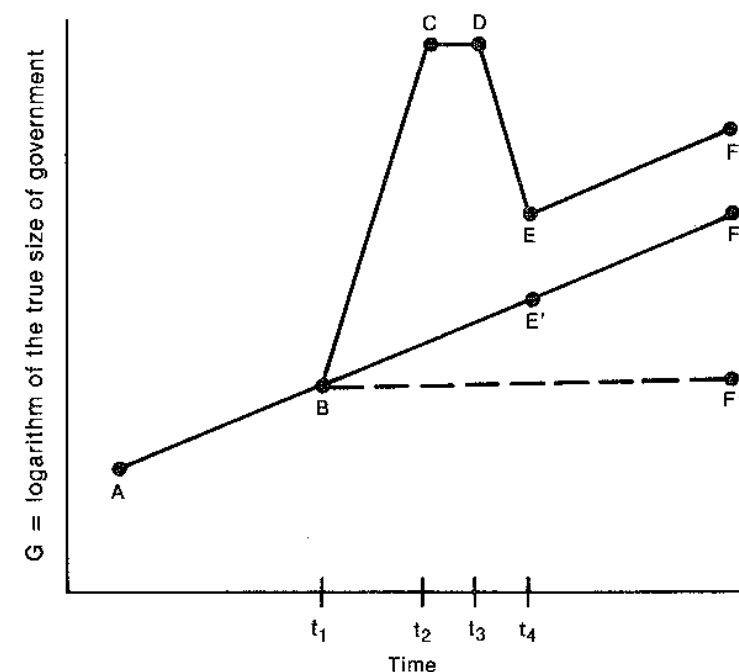


II. Some Key Features of the State

6. The State has an **historical tendency to expand its powers**:

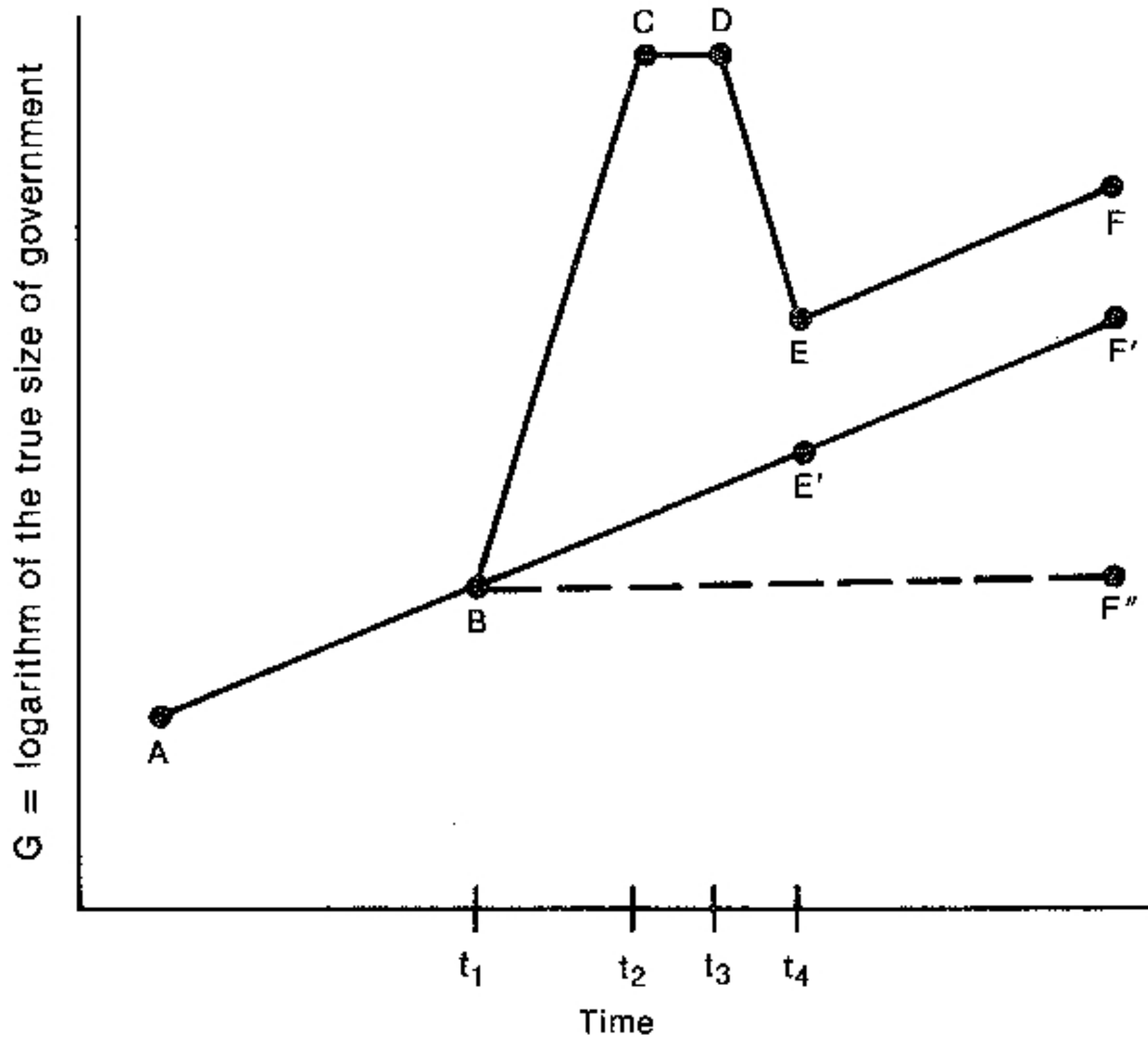
- rivalrous dynastic or nation states
- internal competitive rent seeking
- Robert Higgs' “ratchet effect” (crises of war & recession)
- failure of one intervention calls for further interventions (Mises)
- problem for those who want “limited government”

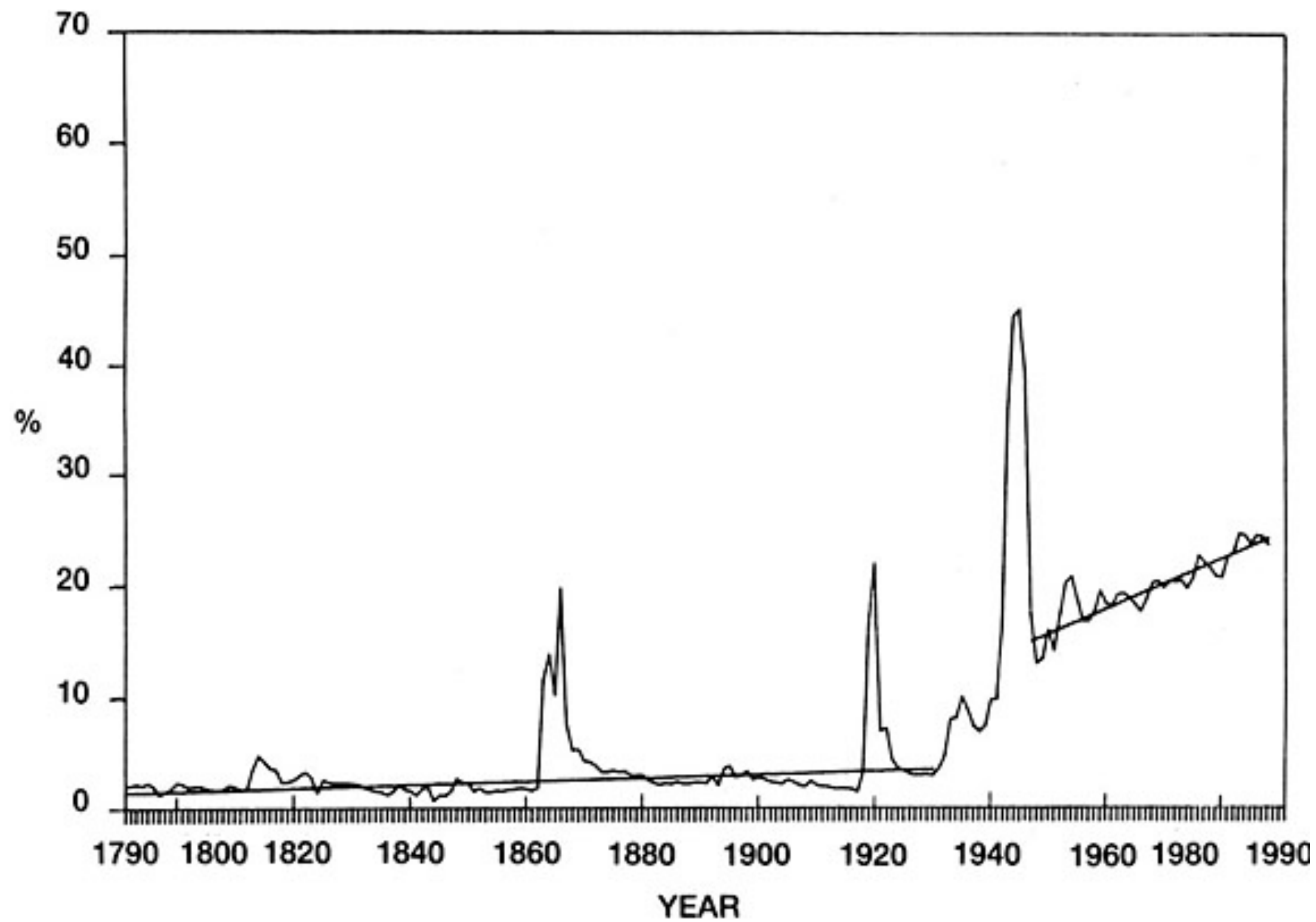
Figure 4.1 Schematic Representation of the Ratchet



Robert Higgs, "The Ratchet Effect"

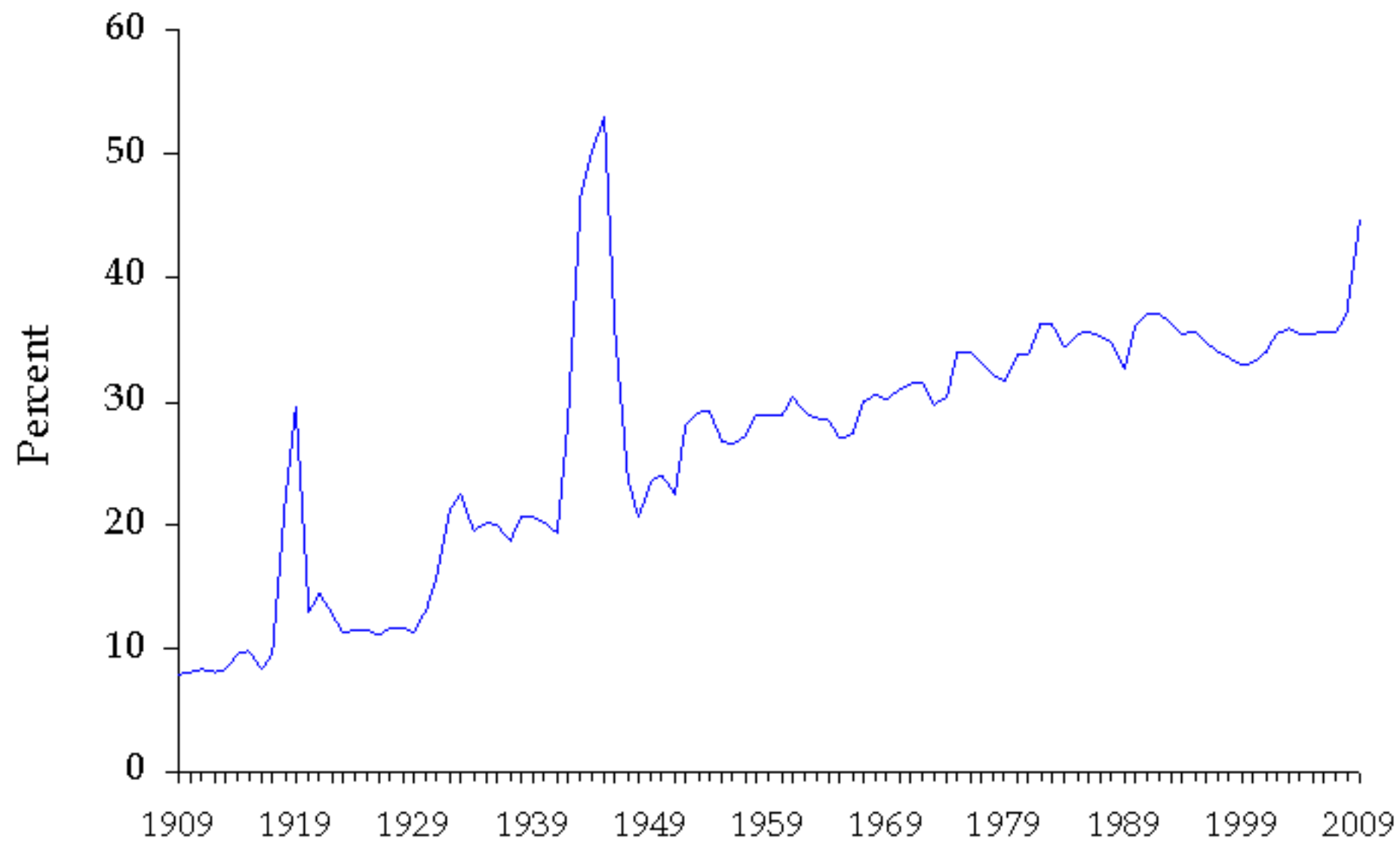
Figure 4.1 Schematic Representation of the Ratchet





US Government Expenditure from Founding

Government Spending as a Percent of GDP*



* Includes Federal, State, and Local

ECONOMICDATA

The 30 Years War of the 20thC - Government Expenditure

II. Some Key Features of the State: Summary

1. the State has a monopoly of the use of force
2. the State claims it the sole legitimacy to exercise this force
3. the State claims a monopoly in key sectors of the economy
4. the State claims that different standard of morality applies to its actions
5. the State needs obedient & compliant taxpayers & citizens who will “Obey & Pay”
6. the State has an historical tendency to expand its powers



III. SOME KEY FEATURES OF THE RULING CLASS



I. Introduction & Definitions

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III. Some Key Features of the Ruling Class

The State divides Society into **Rival Groups or Classes**:

- those who pay taxes, submit to regulation, conscripted into army, forced to work (slaves) - **“the ruled”** or the **“Net Tax Payers”** (NTP)
- those who receive the taxes and benefit from regulation & coerced labour - **“the rulers”** (ruling class) or the **“Net Tax Receivers”** (NTR)
- those in the **“grey zone”** who pay some taxes and receive some benefits
- those who are members of the **“dependent class”** who receive benefits from the state & vote to maintain this



III. Some Key Features of the Ruling Class

Access - Control - Benefits - Interests

- **Access:** the ruling class has privileged access to the power of the state
- **Control:** it can control/use this power to its own advantage (exclude rivals, protect allies, garner benefits)
- **Benefits:** it uses state power to acquire benefits for itself such as wealth, status, privilege; dispenses benefits to the “**dependent class**” who in turn support it
- **Class Interests:** those who receive benefits wish to maintain or increase them; those who pay for them wish to reduce or eliminate them



[Obama meeting Rick Wagoner (General Motors)]

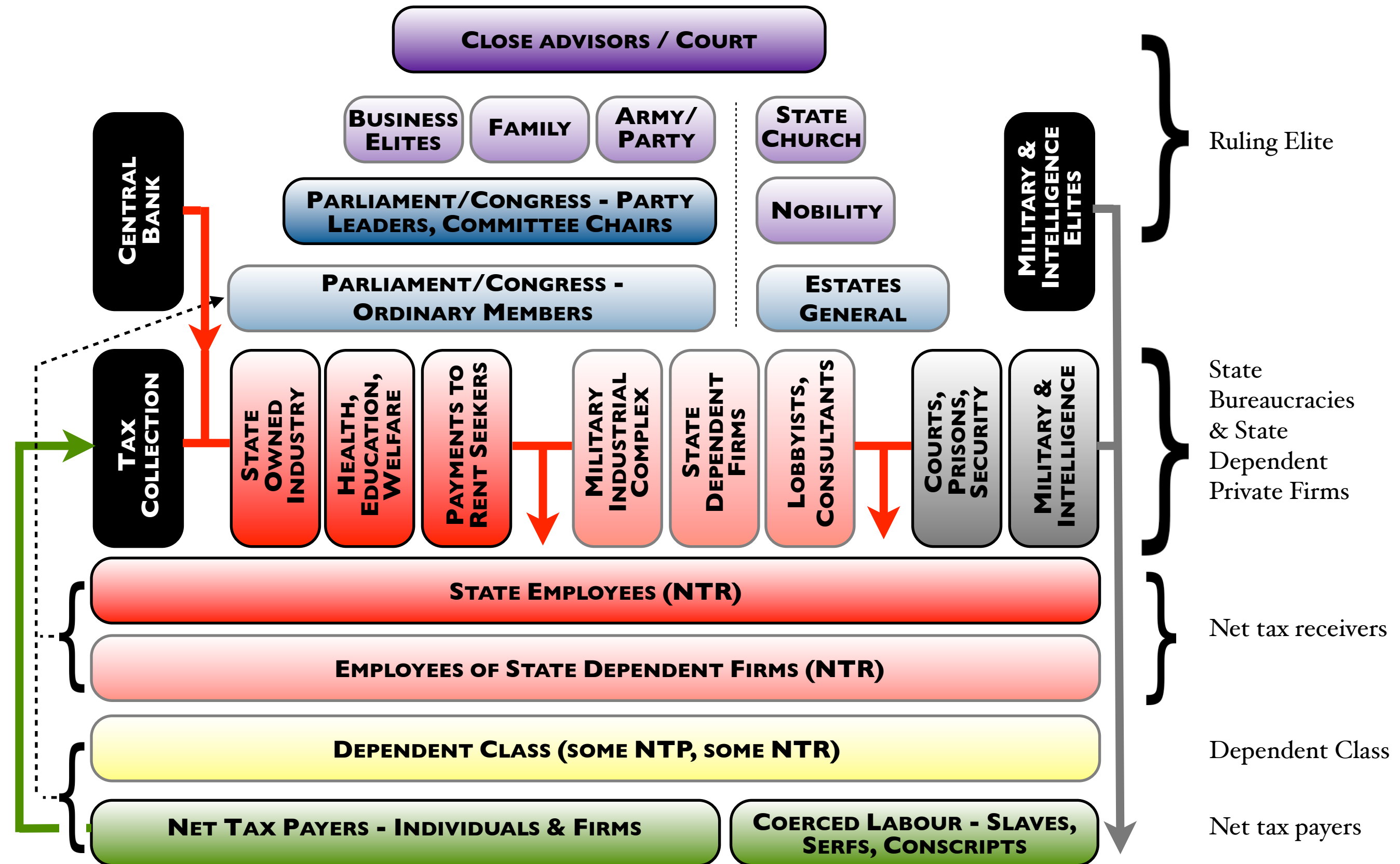


[Obama meeting Goldman Sachs executives]



The Institutions & Class Structure of the State

[Dr. David M. Hart, July 2011]





III. Some Key Features of the Ruling Class

20thC CL Ideas about Class Analysis:



- **Ludwig von Mises (1881-1973)**

- “clash of group interests”
- “a new caste system”

- **Murray N. Rothbard (1926-1995)**

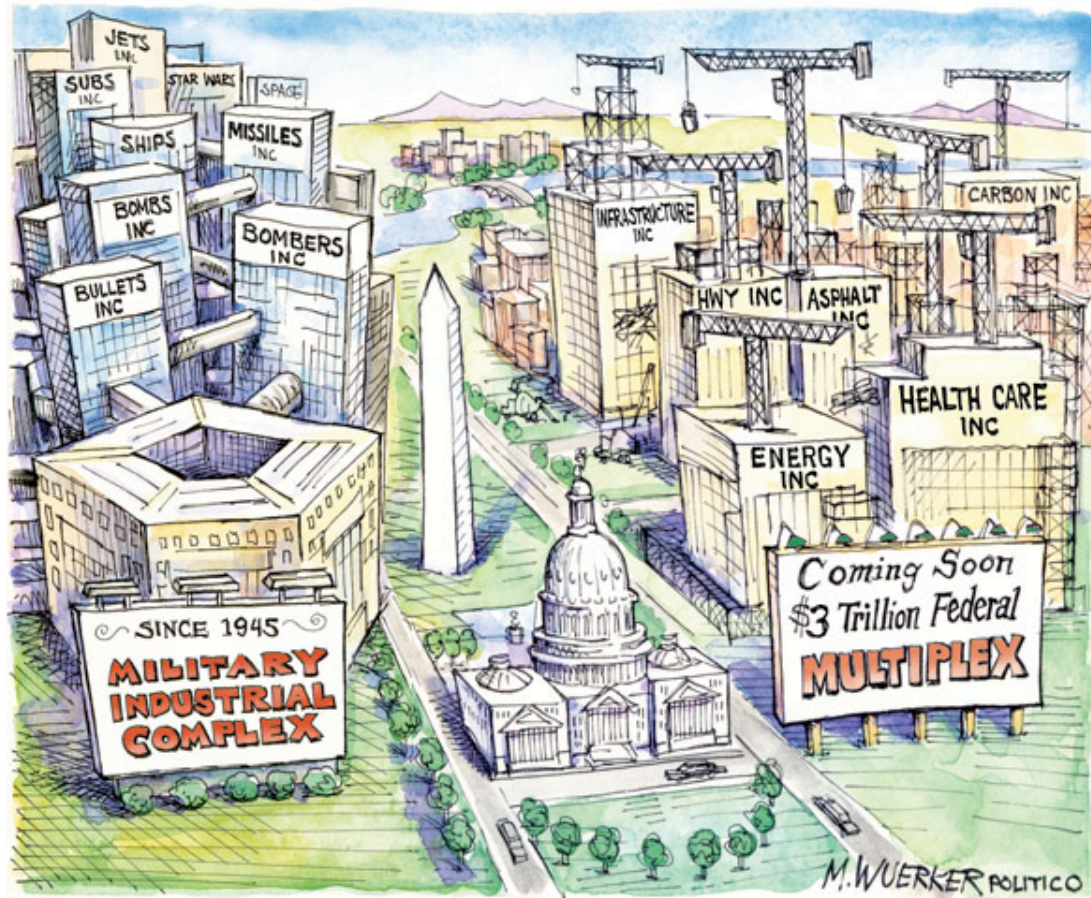
- a full libertarian theory of the State and class which draws heavily upon Austrian economic theory and history



- **James M. Buchanan (1919-) & Gordon Tullock (1922-)**

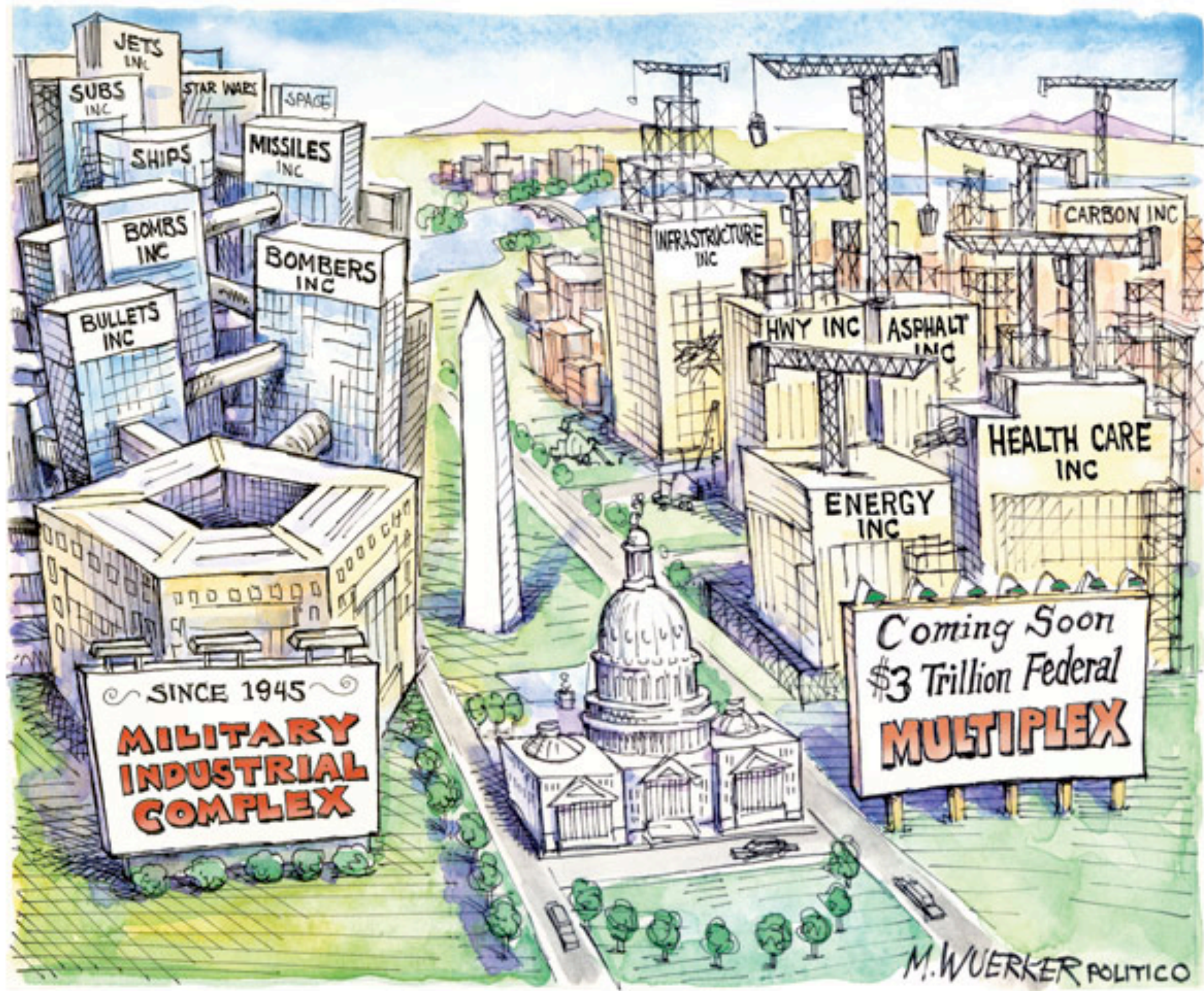
- “**public choice**” theory of the behaviour of politicians and bureaucrats as “benefit maximizers” and “rent-seekers”

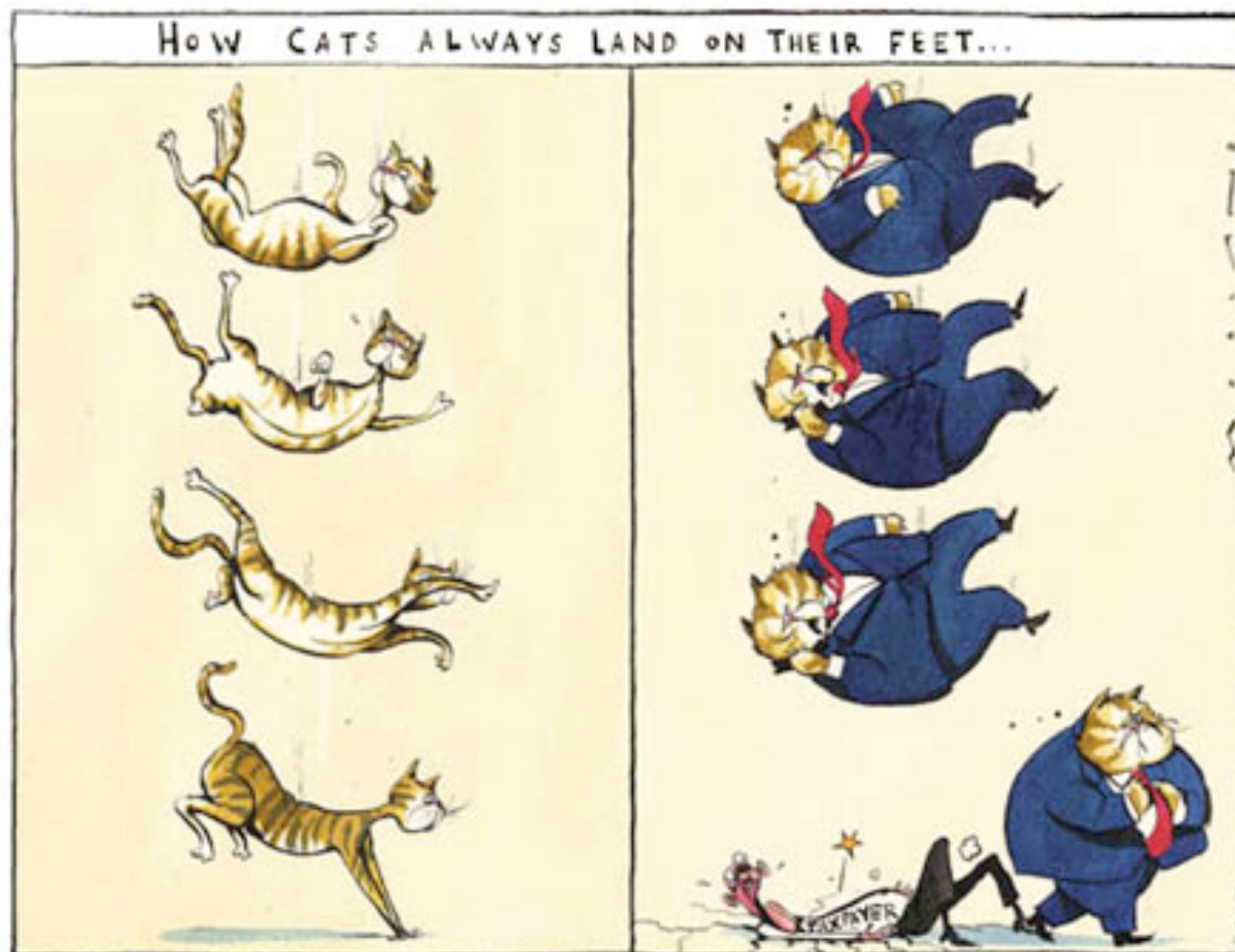
III. Some Key Features of the Ruling Class



Key insights of the “**public choice**” school:

- politicians as “brokers” for **political “rent seekers”**
- “**circulation of elites**” in democracies - “ins” vs. “outs” of major political parties
- **log-rolling** of vested interest groups - welfare, MIC, farmers, Big Pharma, banking
- “**revolving door**” of jobs for politicians, lobbyists
- service the needs of the “**dependent class**” of the aged, sick, unemployed
- **bureaucrats and civil “servants”** have interests which they pursue & attempt to maximize (pay, benefits, power, position)





“Fat Cat” Civil Servants

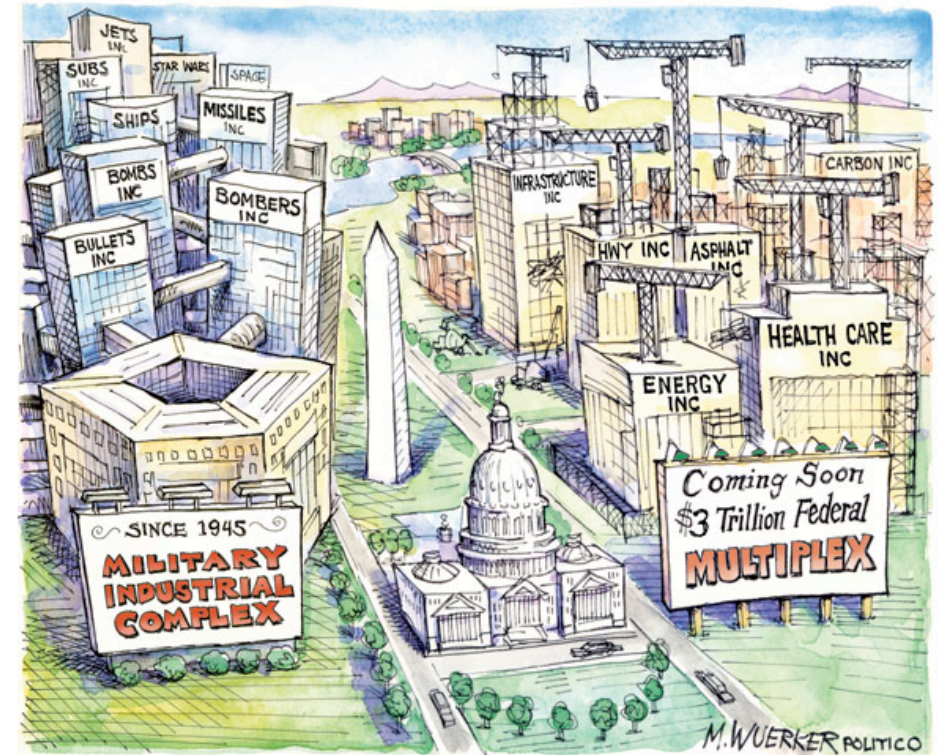
The Benefits Maximizing of “Public Servants”
***Yes, Prime Minister*, Episode 5: “A Real Partnership” (1986)**



The Benefits Maximizing of “Public Servants”
***Yes, Prime Minister*, Episode 5: “A Real Partnership” (1986)**

III. Some Key Features of the Ruling Class: Summary

1. class analysis is **commonly but mistakenly thought to be “Marxist”**
2. there is a **strong tradition of Classical Liberal class analysis** in the 18th & 19th C
3. the state as a “tax eater”
4. in late **20thC “public choice” theory** developed a theory of the behaviour of politicians and bureaucrats as “benefit maximizers” and “**rent-seekers**”
5. the State divides society into **two rivalrous groups**, “the rulers” (the **net tax receivers**) and “the ruled” (**net tax payers**) which have different interests
6. there is a growing “**dependent class**” who receive benefits from the state & who vote to maintain this



[Obama meeting Goldman Sachs executives]

IV. CONCLUSION



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The Political Problem of the rising numbers of “Net Tax Receivers”

- growing number of **state employees**
- the number of **employees of state dependent firms**
- the size of the “**dependent class**”
 - the retirees who are now dependent on social security - some of whom were once “net tax payers”
 - the sick, unemployed, poor who receive tax-payer funded benefits

