



1. The State & the Ruling Class



2. A Brief History of Bills of Rights



3. The State & Modern War



4. The Culture of Liberty vs. Authority



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Quotations about Liberty and Power



Grotius on Moderation in Despoiling the Country of one's Enemies (1625)



While the 30 Years War was ravaging Europe the Dutch legal scholar Hugo Grotius (1583–1645) wrote *The Rights of War and Peace* (1625) which

Images of Liberty and Power



Jacques Callot, "The Miseries and Misfortunes of War" (1633)

7. Plundering and Burning a Village

[See a [larger version](#) of this image (1368 px)]

In this series we want to explore the problem of war in 17th century Europe by juxtaposing an image from the series of 18 etchings made by Jacques Callot showing the ravages of war in his native Lorraine during the Thirty Years War (1618–48), with passages from Hugo Grotius, *The Rights of War and Peace* (1625) which is a foundation stone of the modern understanding of the laws of war. In this, the 7th picture in the series, we see armed soldiers pillaging and burning a village which includes a small chapel in the upper centre (there is a cross to its left). The inhabitants and livestock are rounded up to be taken off as prisoners or booty. Livestock can be seen being herded at the lower right. A man can be seen being killed at the lower left under a tree. There is a grieving wife who sits next to her dead husband in the centre foreground.

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

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CAPITALISM

WE RULE YOU

WE FOOL YOU

WE SHOOT AT YOU

WE EAT FOR YOU

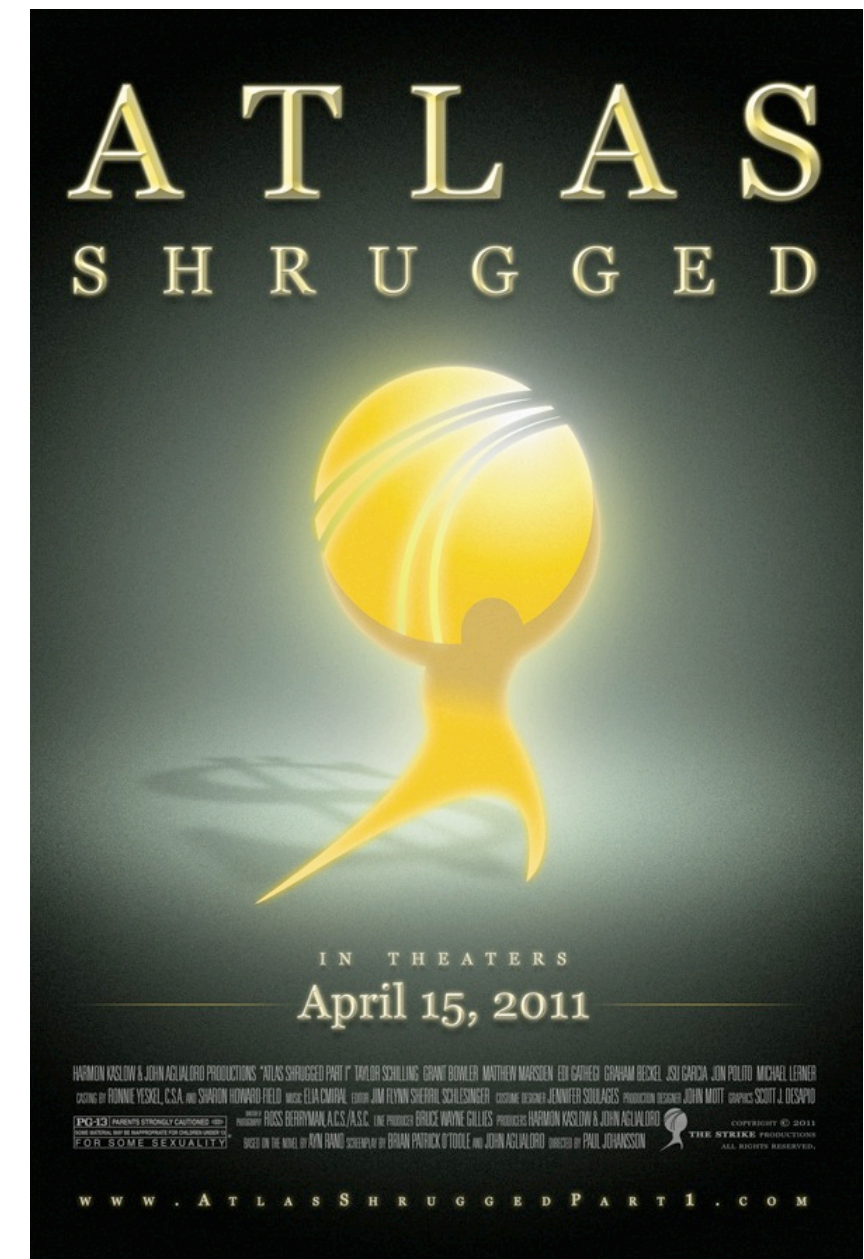
WE WORK FOR ALL

WE FEED ALL

PYRAMID OF CAPITALIST SYSTEM

ISSUED BY NEDELJKOVICH, BRASHICH AND KUCHARICH.

Copyrighted 1911 by The International Pub. Co., 1747 W. 25th St., Cleveland, O., U. S. A.



**Is Atlas being oppressed and, if so,
who is oppressing him?**





Honoré Daumier, "Gargantua" (1831)

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

I. INTRODUCTION & DEFINITIONS



I. Introduction & Definitions

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IV. Conclusion



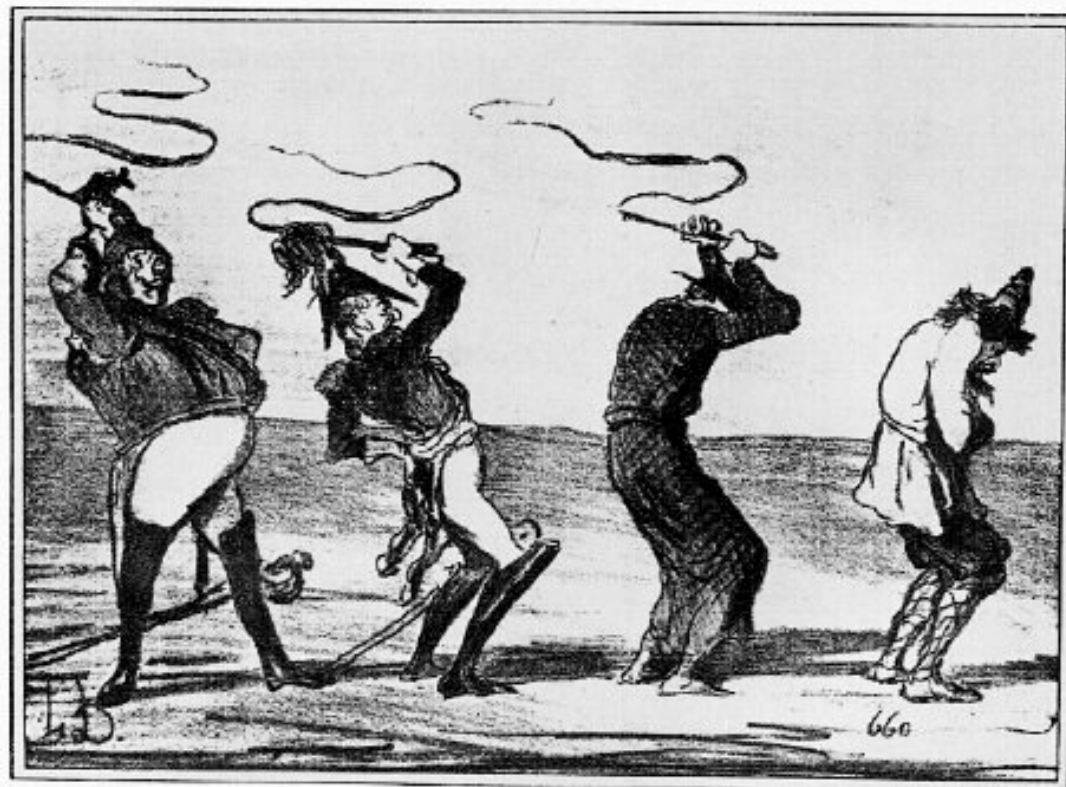
Some Questions to Consider

The State

- what is the State & whose interests does it serve?
- why has it grown so much over the past 100 years & where is it heading now?
- is there an optimal size of the State & can it be limited to just these powers?

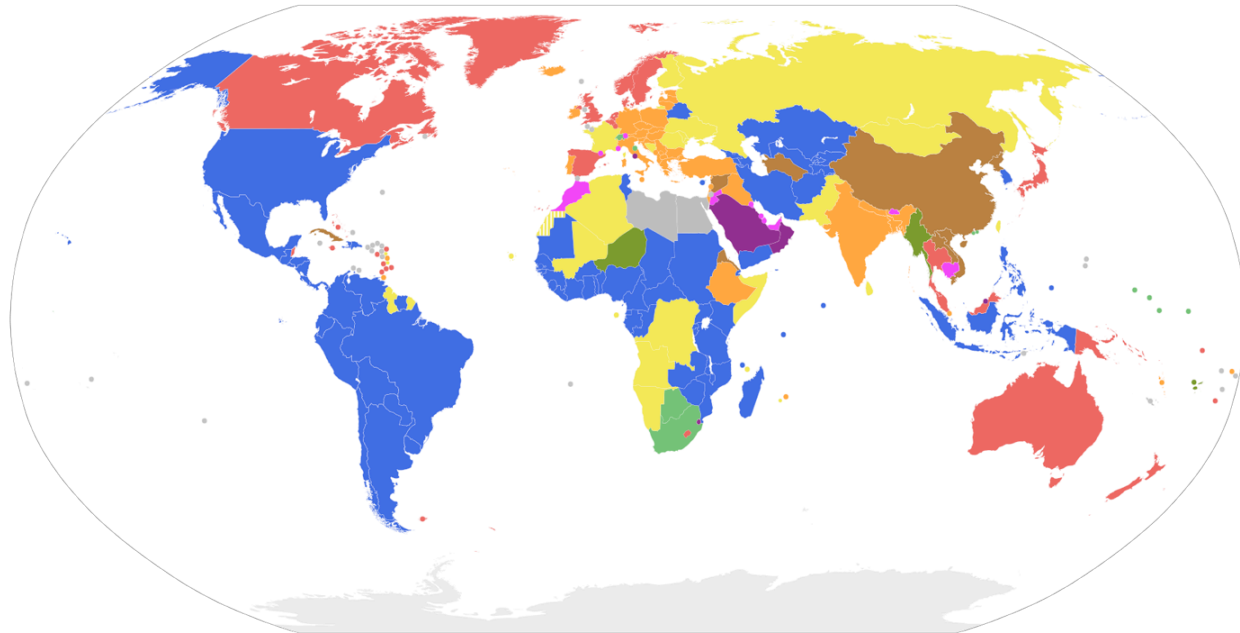
The Ruling Class

- who benefits from access to State power & how do they behave?
- if the same groups who benefit from State power persist over time, can we call them a “ruling class?”
- if the number of people who benefit from State power come to exceed the number who pay for it, how can we ever return to a free society?

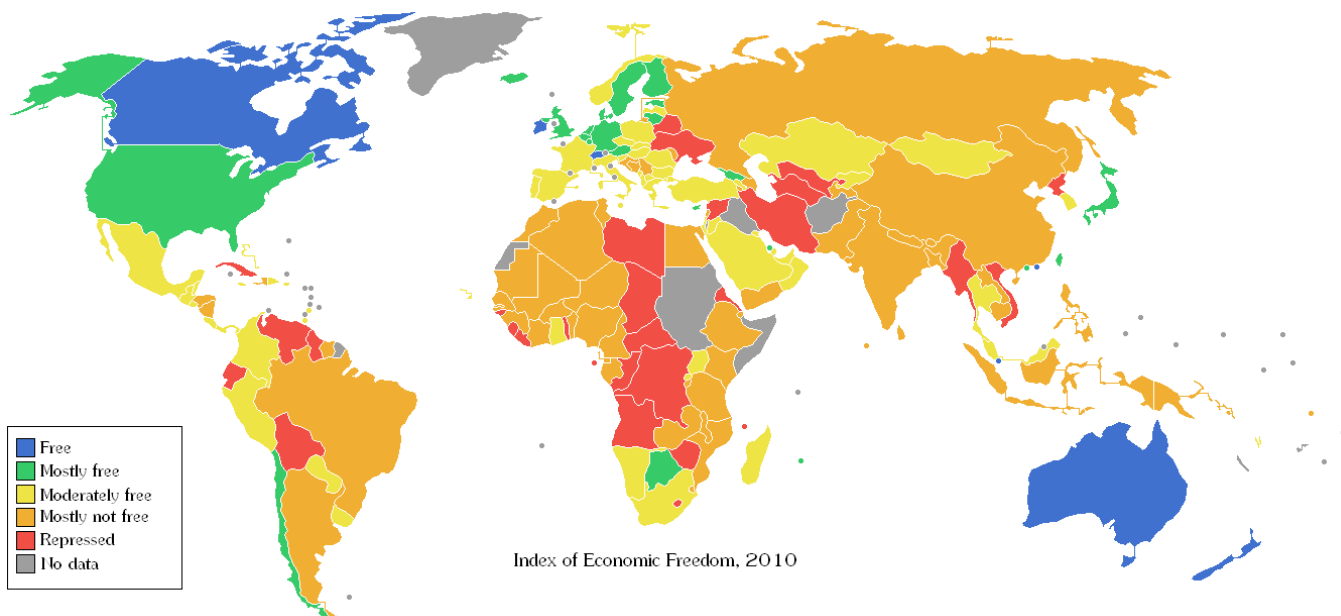


The Army Hierarchy.

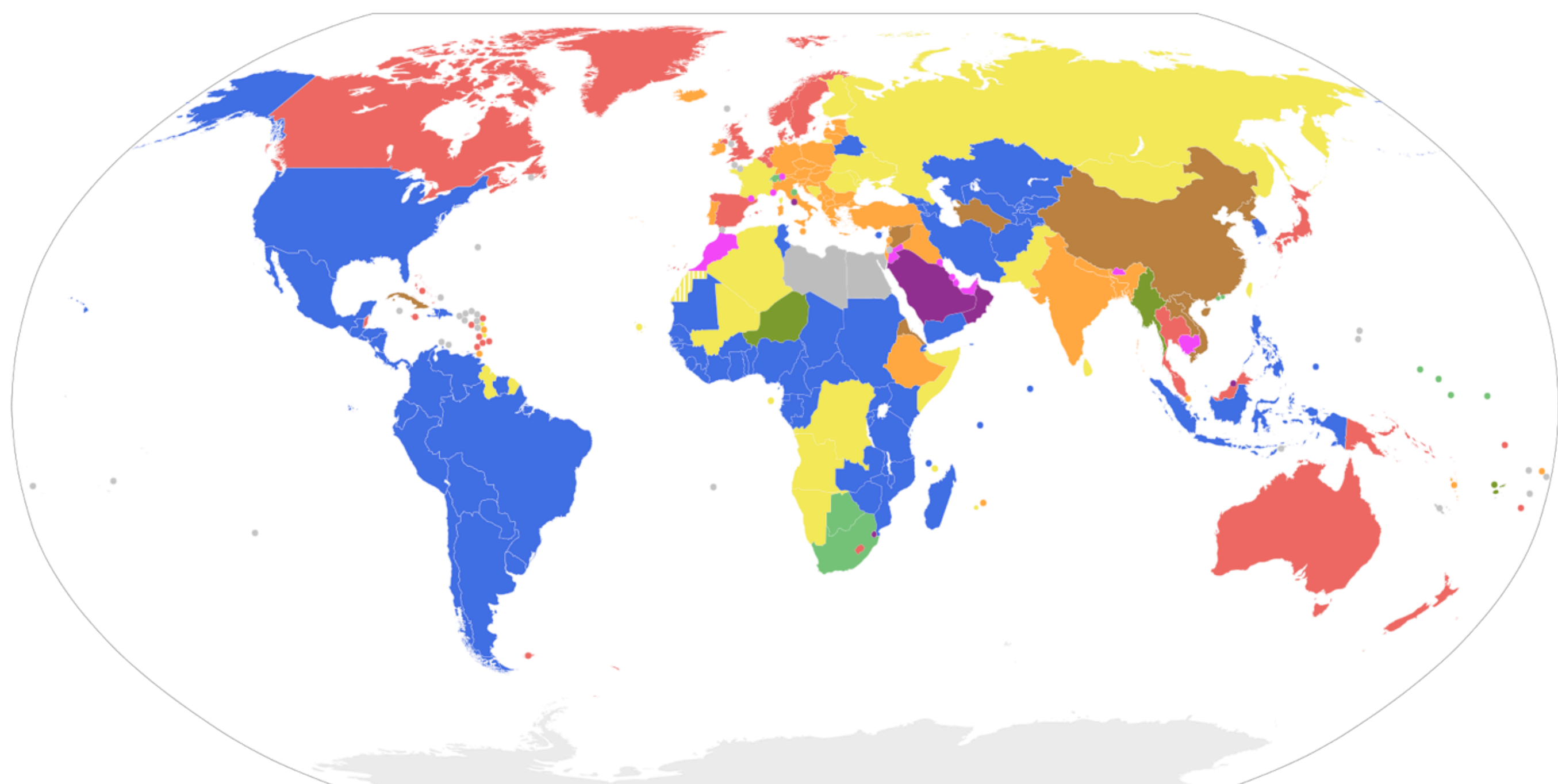
Introduction & Definitions













- the different types of states
 - republics
 - constitutional monarchies
 - military or single party dictatorships
 - absolute monarchies

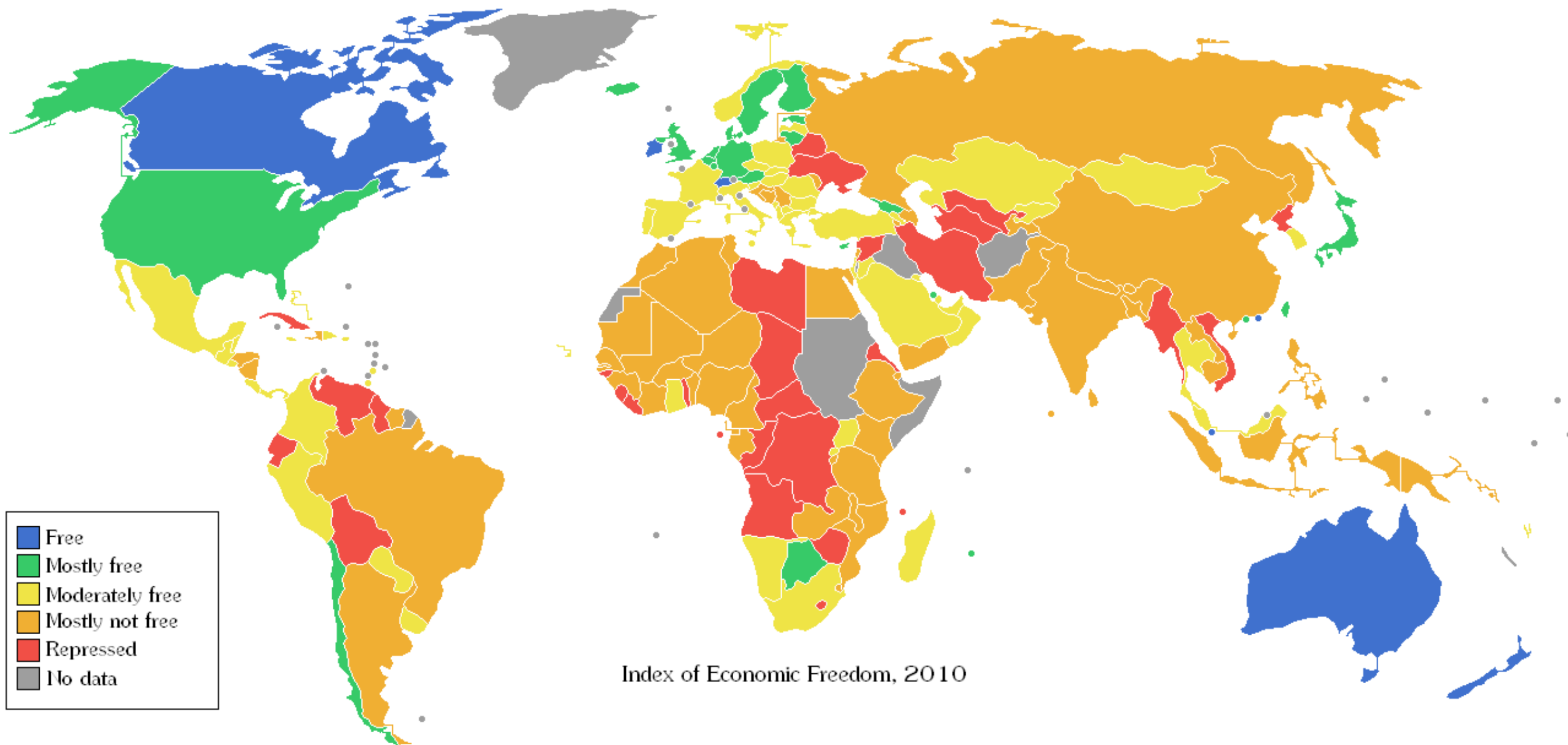


- the degree of economic liberty in different states
- the spectrum of state power: from the “total state” under communism to the “minarchist state” of libertarians
- the functions of the classical liberal state
- the institutions & class structure of the State (schematic)



Map

World's states colored by form of government as of March 2011.	
	Full presidential republics.
	Presidential republics with the role of the president and prime minister combined.
	Semi-presidential republics.
	Parliamentary republics.
	Parliamentary constitutional monarchies in which the monarch does not personally exercise power.
	Parliamentary constitutional monarchies in which the monarch personally exercises power (often alongside a weak parliament).
	Absolute monarchies.
	Single-party state.
	Military dictatorships (these countries may also be <i>de jure</i> listed under any other form of government, such as republic, for example).
	Countries that does not fit in any of the above listed systems.



SPECTRUM OF STATE POWER

STATISM

LIBERTY

Communism

Fascism

Welfare/Warfare State

Minarchist State

Voluntary "State"

COMMUNISM
Fully planned
economy & state
controlled society
- Stalinism, Pol
Pot

FASCISM/NAZISM:
State directed private
industry
Adulation of leader
War & conquest
- Italy, Germany
1930s-40s

WELFARE STATE:
State provision health,
education, welfare
Significant regulation of
economy
- Western Europe

WELFARE/WARFARE STATE:
Significant state intervention
health, education, welfare
Significant regulation of economy
Military-Industrial Complex
War & empire
- USA

MINARCHIST STATE:
defence, police, limited
number of other public
goods

**ULTRA-MINARCHIST
STATE:**
defence, police, with
considerable private
activity in security

**FULLY VOLUNTARY
"STATE":**
- all state activities
deregulated,
privatized, or
abolished

FUNCTIONS OF THE CLASSICAL LIBERAL STATE

A. Smith, JS Mill
F.A. Hayek

L. Mises, A. Rand
R. Nozick

J.B. Say
G. de Molinari 2

H. Spencer
G. de Molinari 1
Murray Rothbard

CLASSICAL LIBERAL
STATE:
defence, police, public
goods (broadly defined)

MINARCHIST STATE:
defence, police, no
other public goods

ULTRA-MINARCHIST OR
"NIGHTWATCHMAN" STATE:
defence, police, with
considerable private activity in
security

FULLY PRIVATISED "STATE"
OR VOLUNTARISM:
private production of security

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

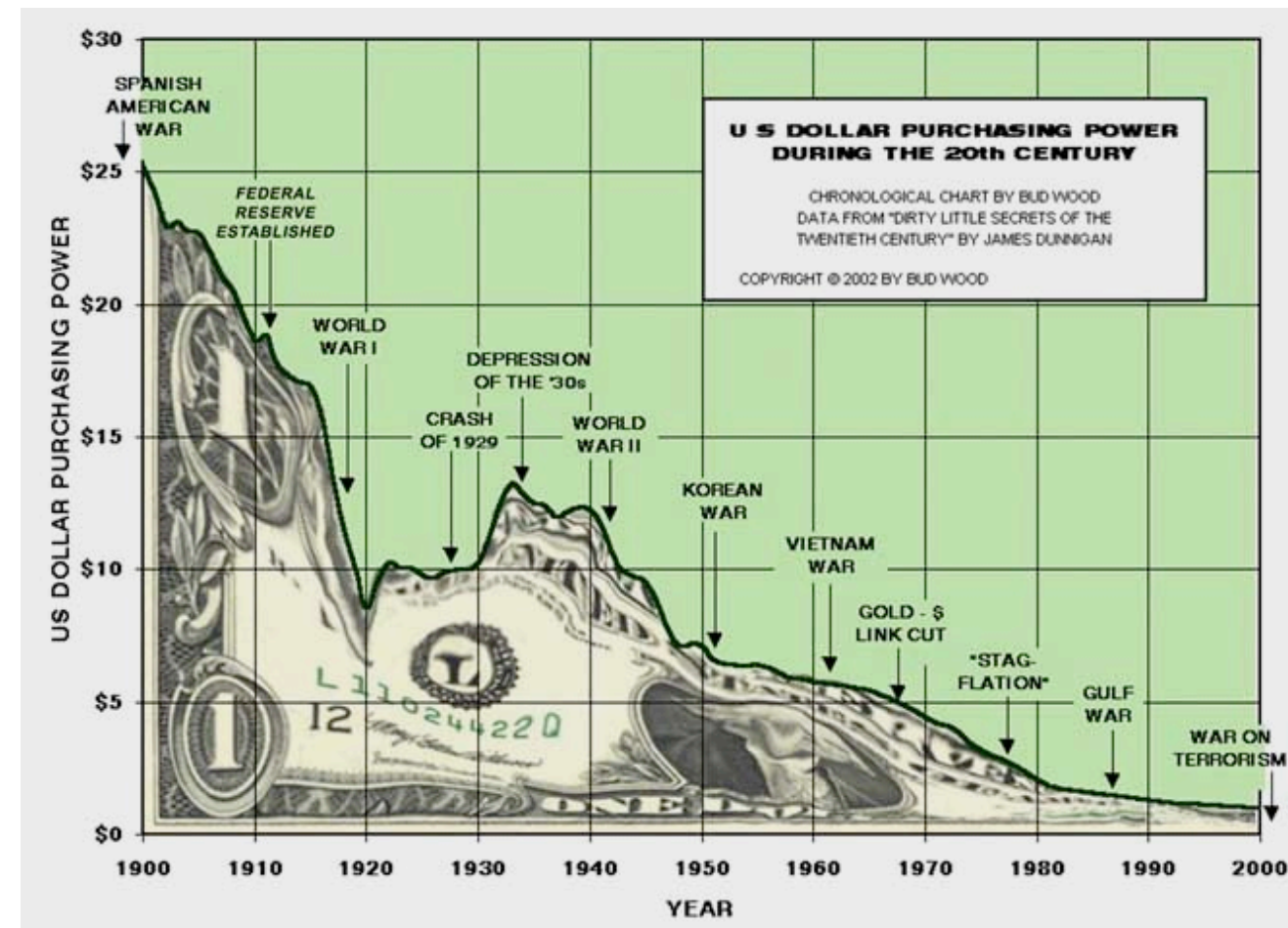
2. **Legitimacy:** the State claims it has the sole legitimacy to exercise this force & this comes from God, family, history, personal charisma, “the people”:
- traditionally - “throne and altar”
 - inculcated via public education: nationalist history, “civics”
 - importance of public rituals: coronations,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

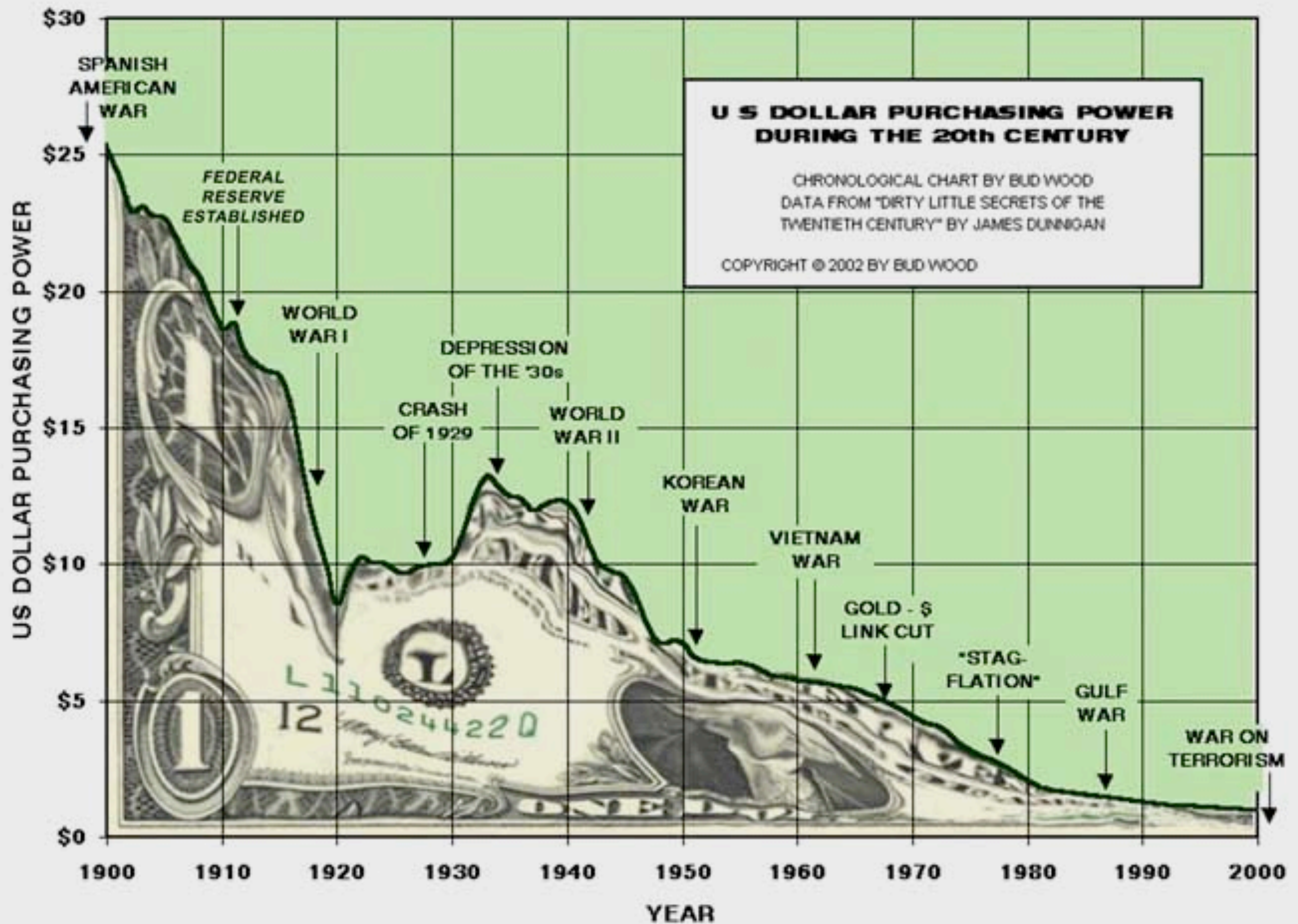


II. Some Key Features of the State

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

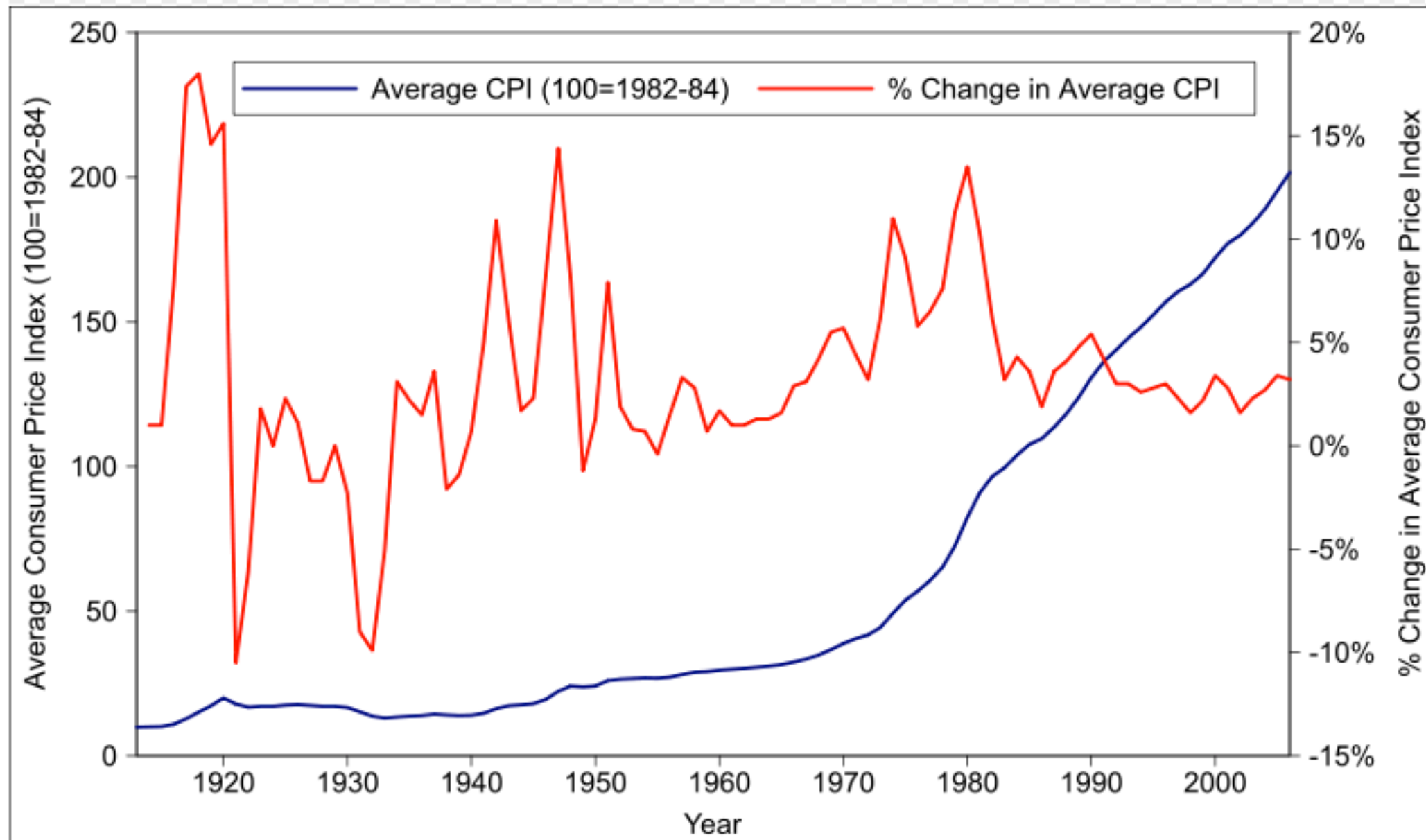




File:US Consumer Price Index Graph.svg

[File](#)[File history](#)[File use](#)

United States Consumer Price Index 1913-2006



The 30 Years War of the 20thC - Inflation (CPI)

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)

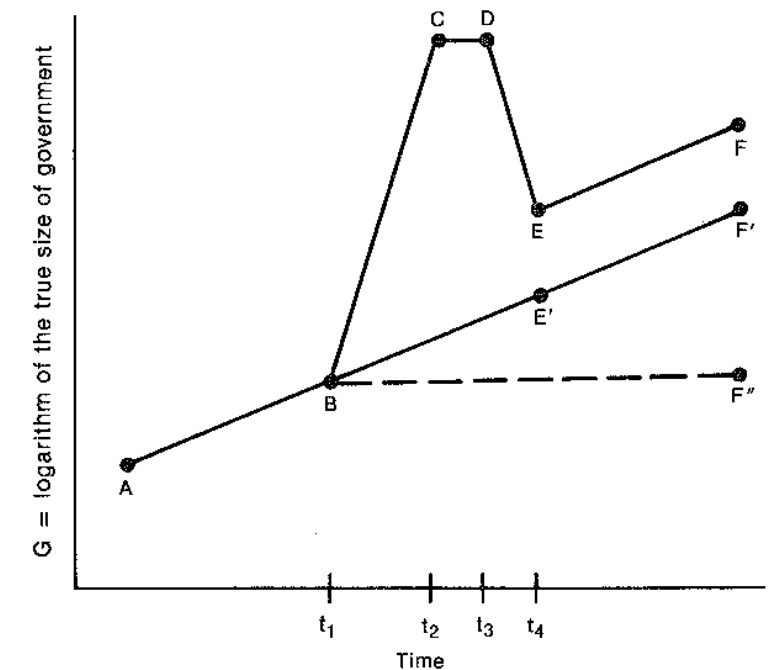


II. Some Key Features of the State

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

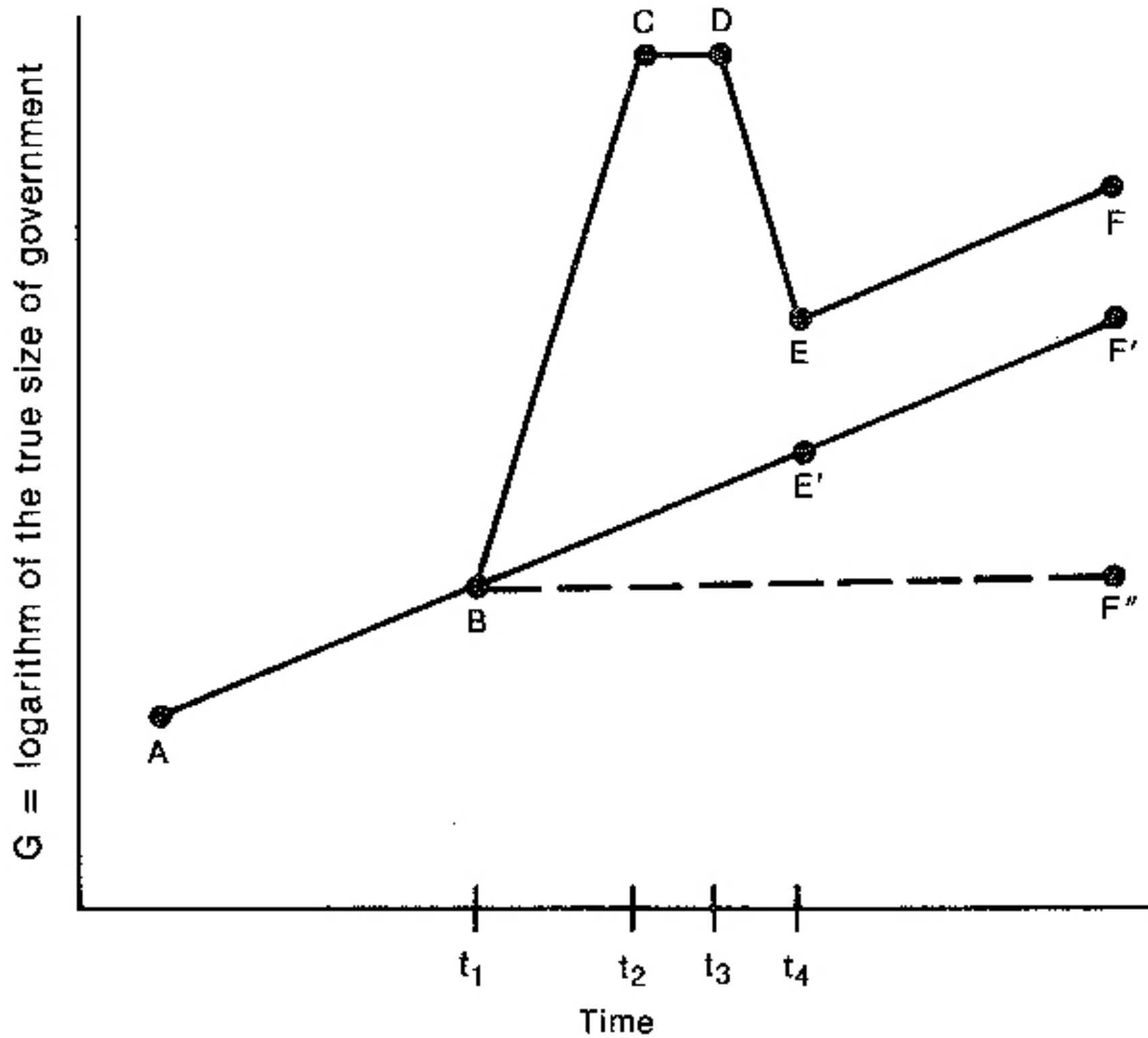
- rivalrous dynastic or nation states
- internal competitive rent seeking
- Robert Higgs' "ratchet effect" (crises of war & recession)
- failure of one intervention calls for further interventions (Mises)
- problem for those who want "limited government"

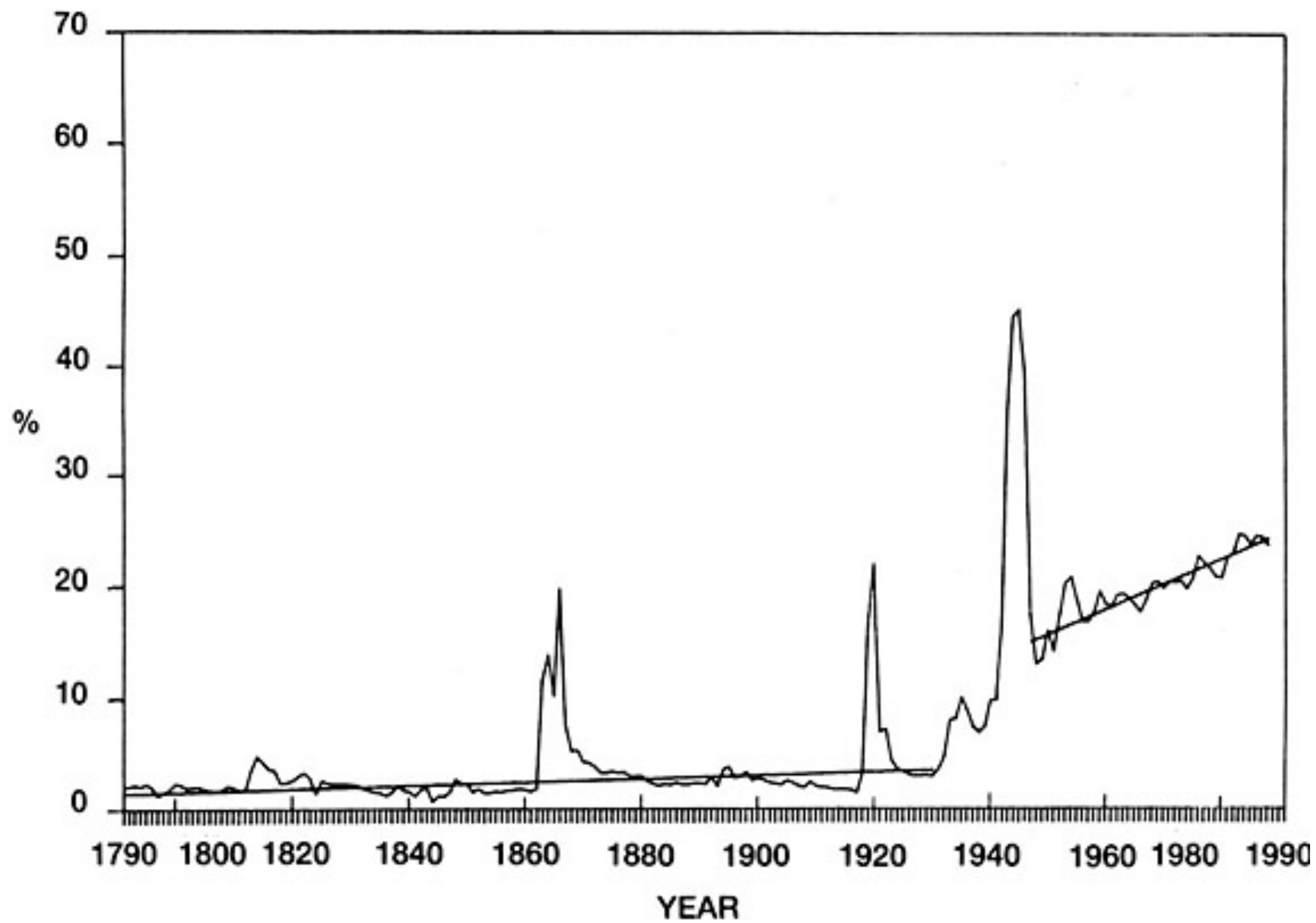
Figure 4.1 Schematic Representation of the Ratchet



Robert Higgs, "The Ratchet Effect"

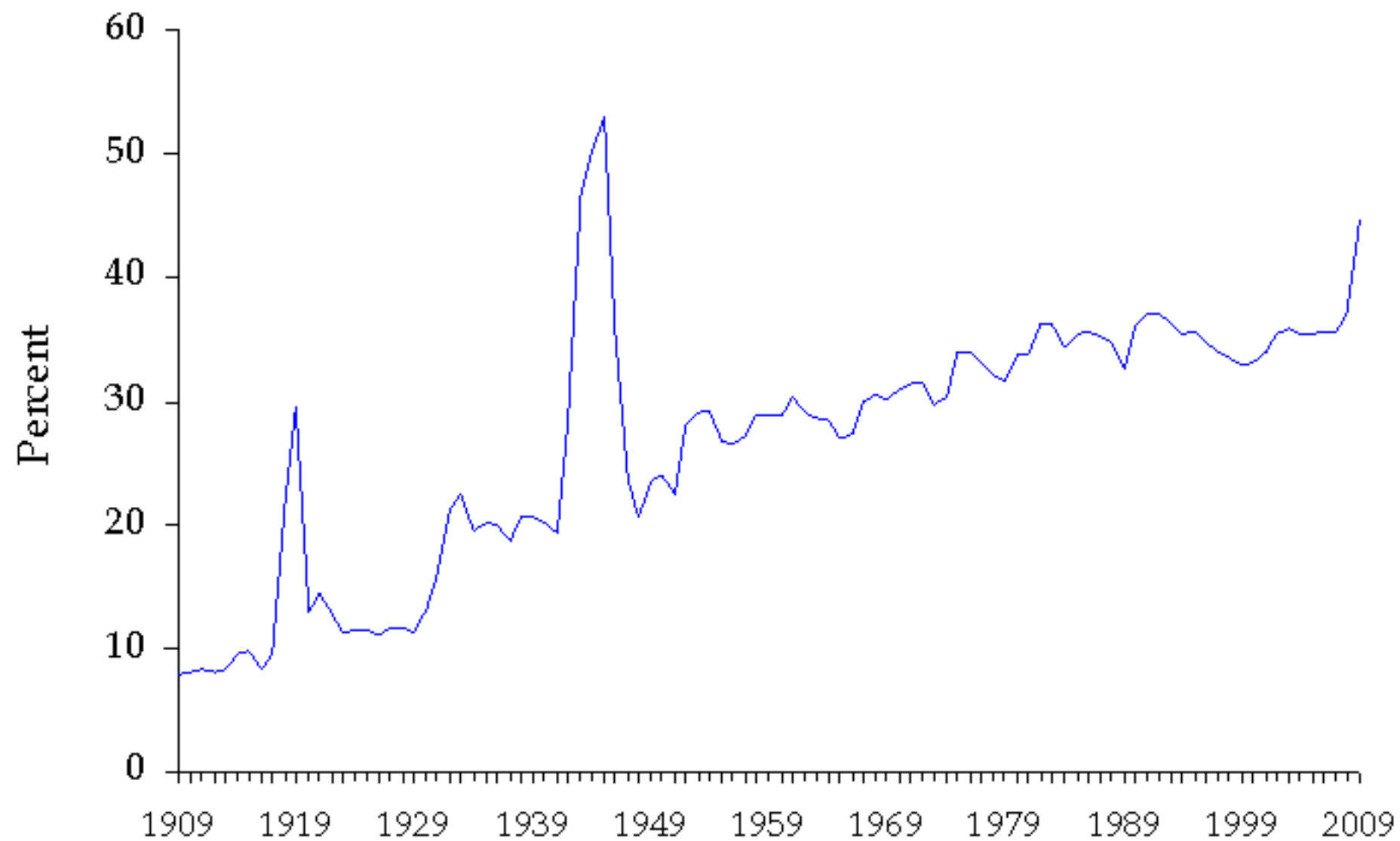
Figure 4.1 Schematic Representation of the Ratchet





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

II. Some Key Features of the State

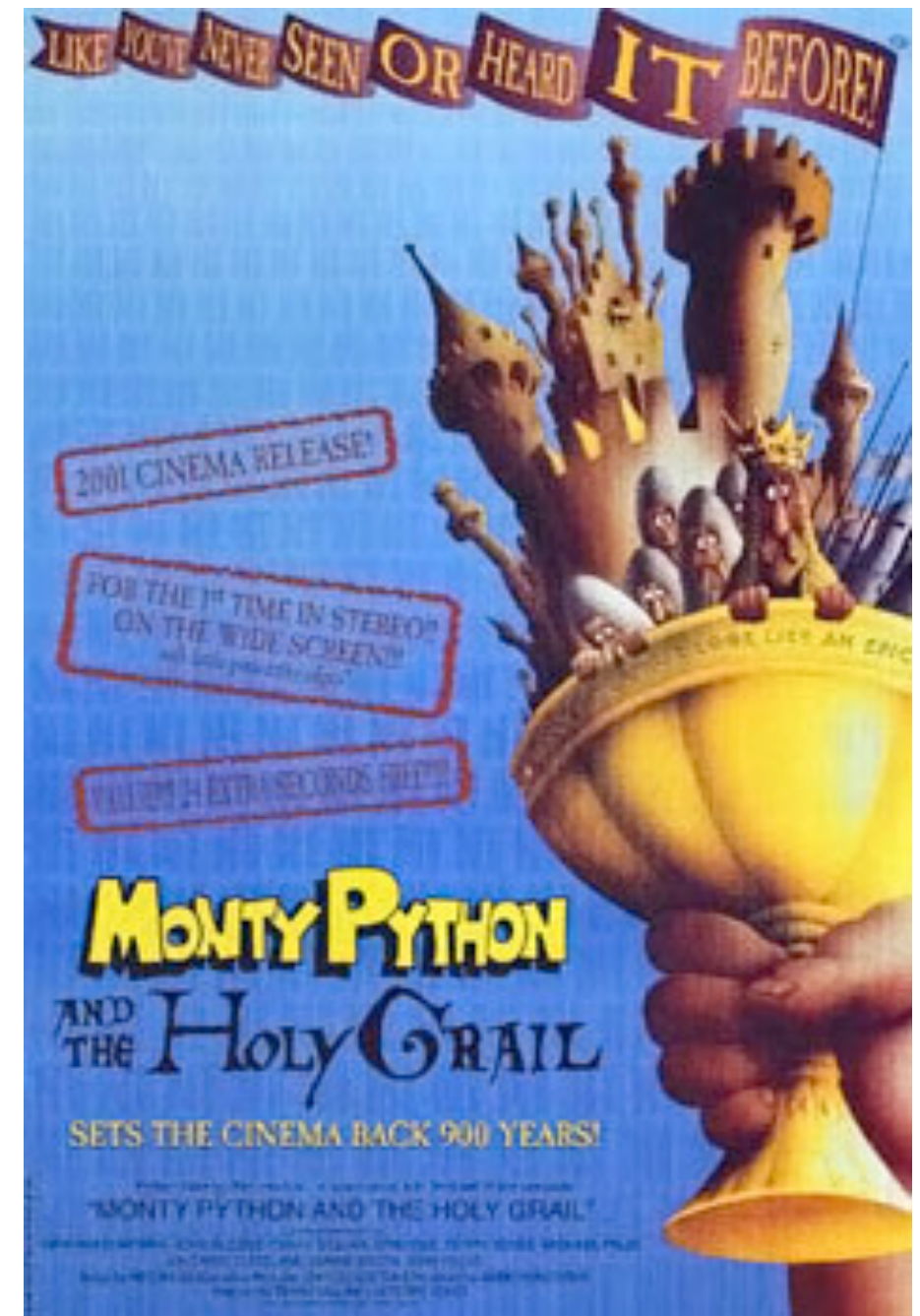
i. Force - Legitimacy - Monopoly - Functions

III. Some Key Features of the Ruling Class

i. Access - Control - Benefits - Interests

IV. Conclusion

“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)

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)]

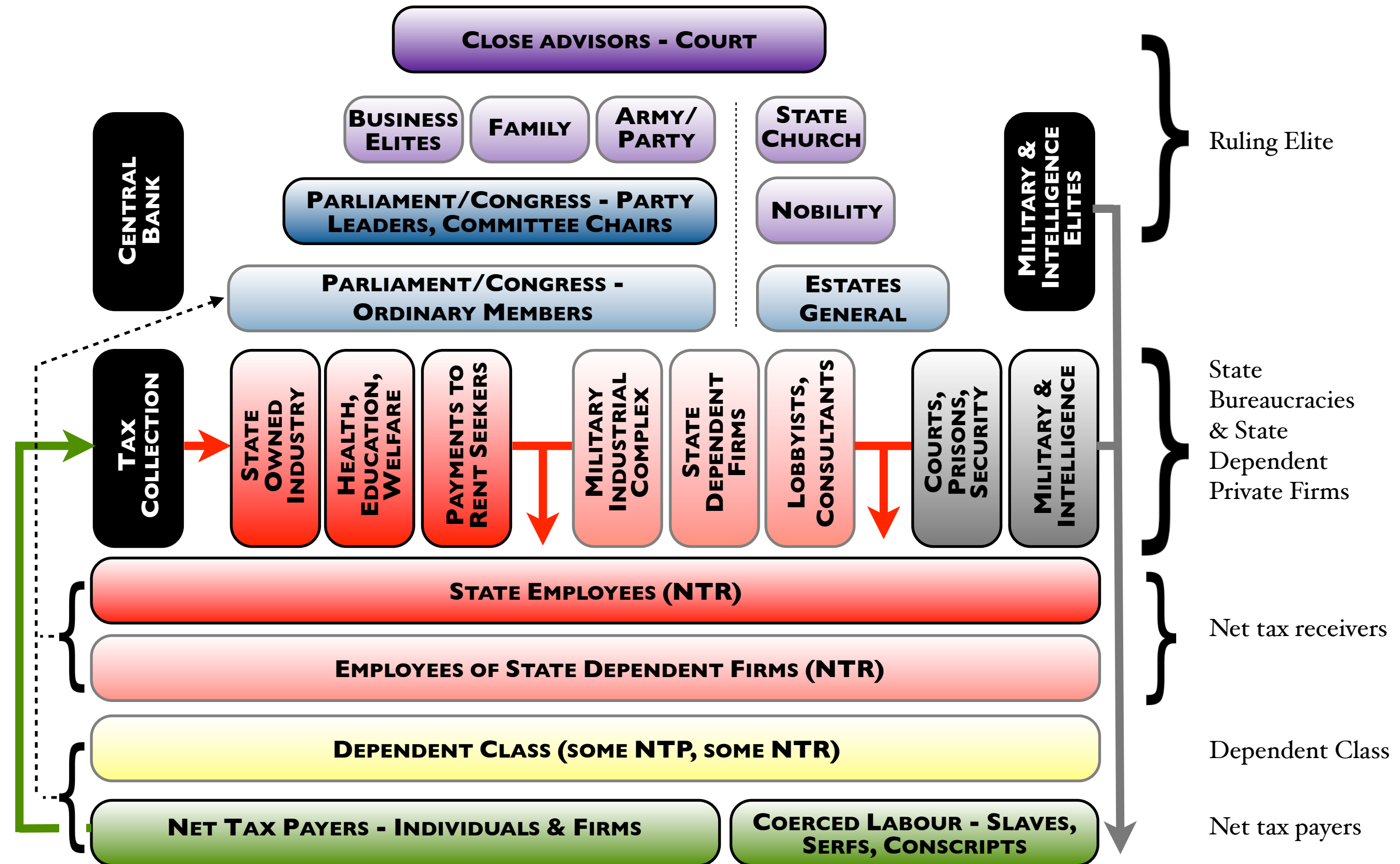


[Obama meeting Goldman Sachs executives]



The Institutions & Class Structure of the State

[Dr. David M. Hart, May 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.

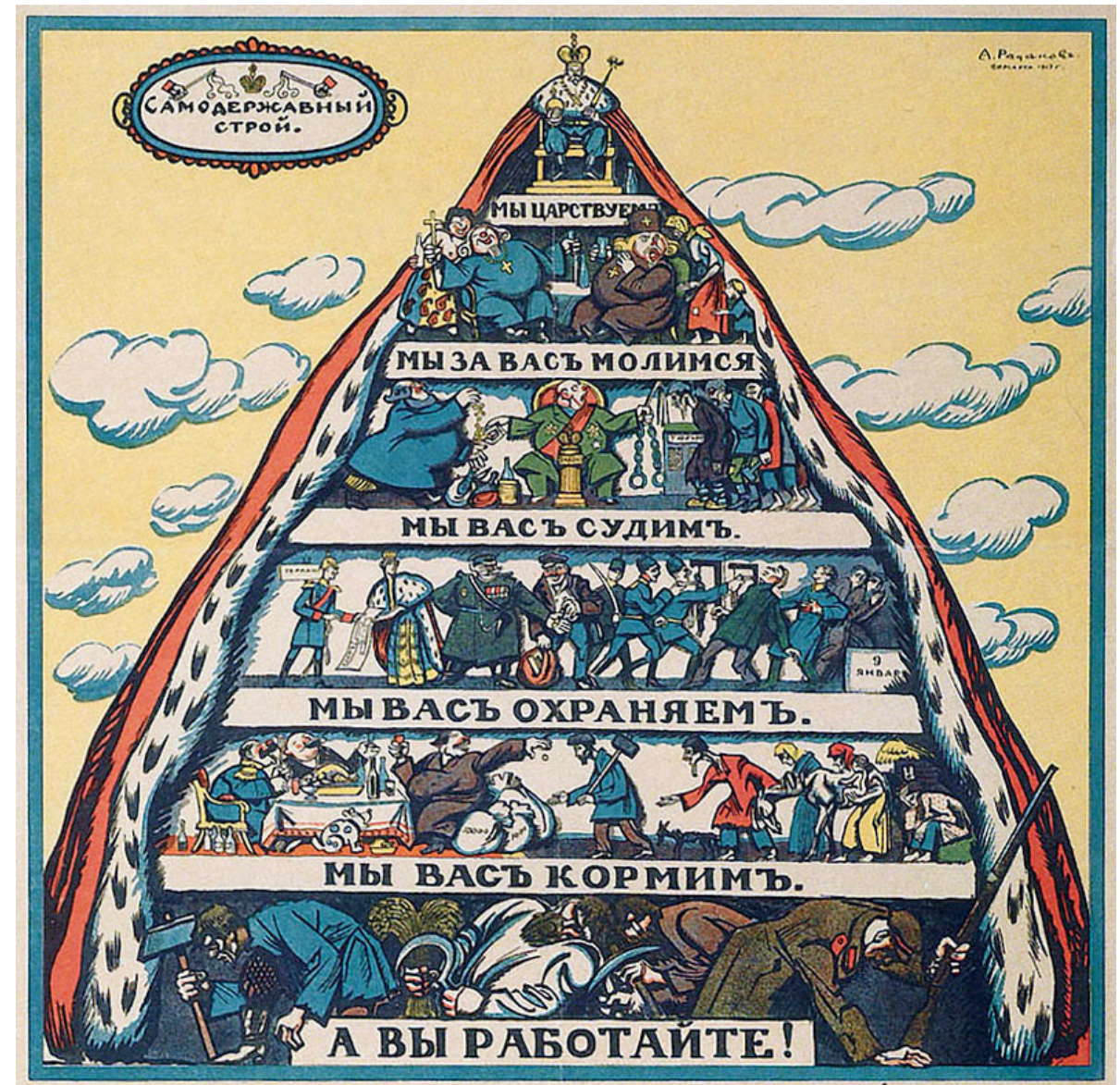
The Dependent Class (yellow) - people who receive benefits from the state such as health, retirement, or other welfare. Some were NTP when working but are now NTR. Others have always been NTR.

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.

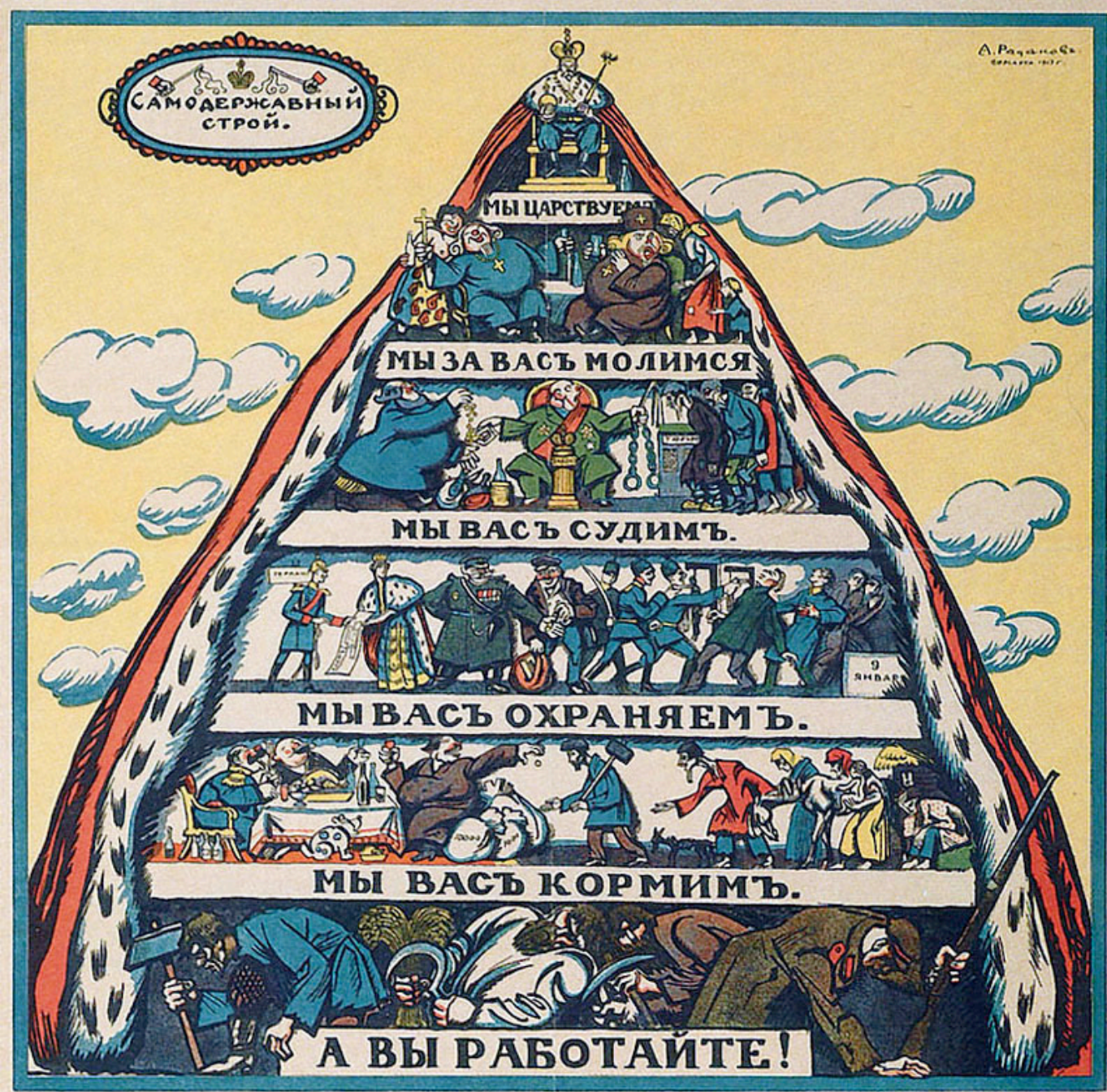
III. Some Key Features of the Ruling Class

1. Class analysis is commonly but mistakenly thought to be “Marxist”:

- **Marx** got many of his ideas about class from French classical liberals but misapplied them
- 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”
- thus “liberation” requires the violent overthrow and dispossession of the “capitalist class” in a **revolution** on behalf of the “proletariat” or working classes



{A Marxist view of 19thC Russian Autocracy}



{A Marxist view of 19thC Russian Autocracy}

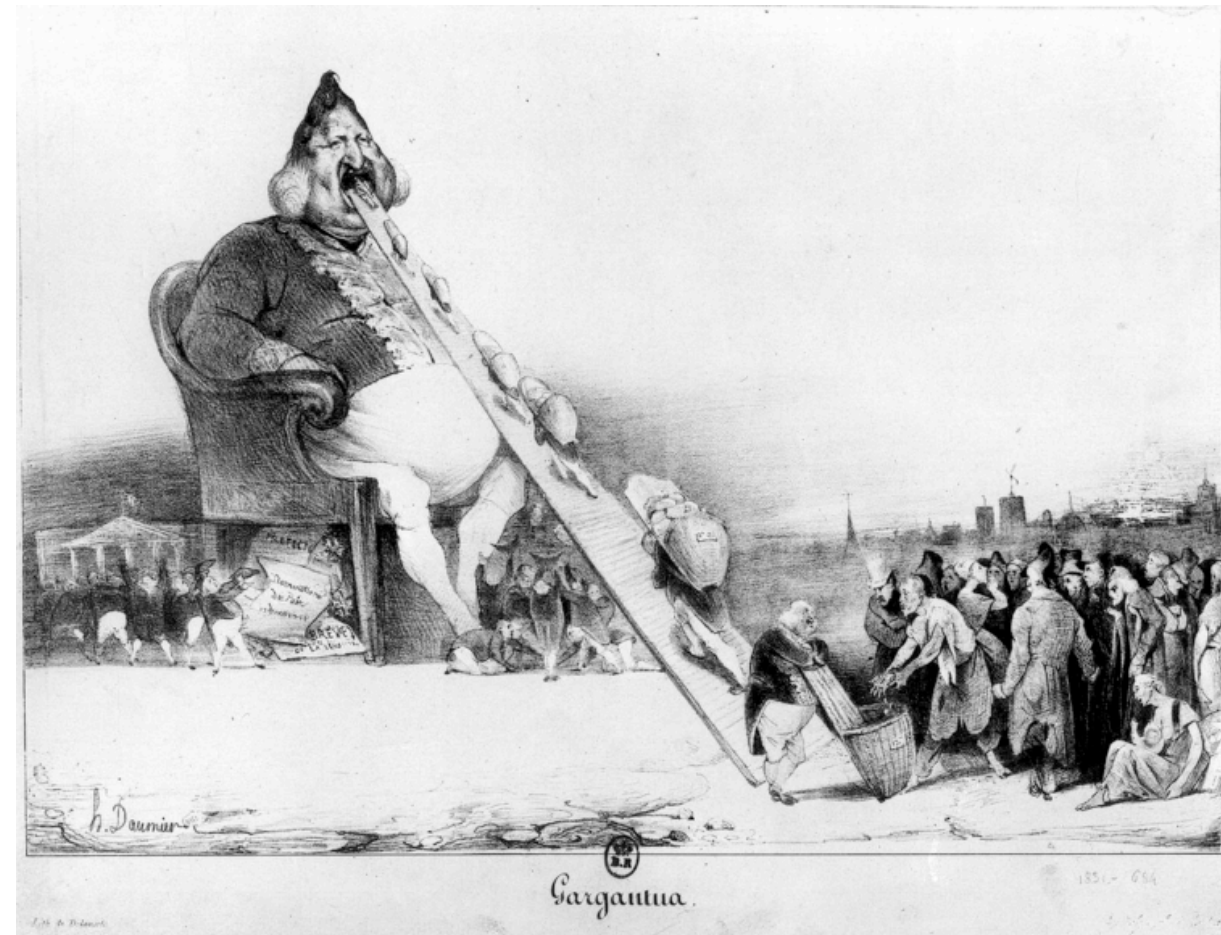


{The American International Workers of the World (IWW) poster from 1911}

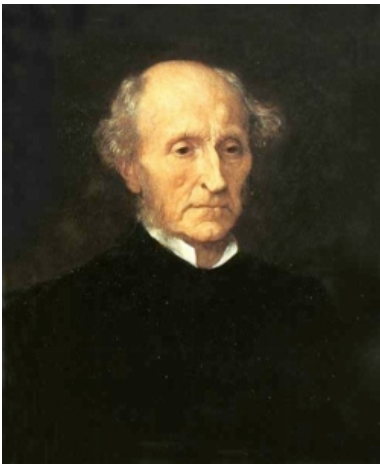
III. Some Key Features of the Ruling Class

2. The Classical Liberal idea of Class Analysis

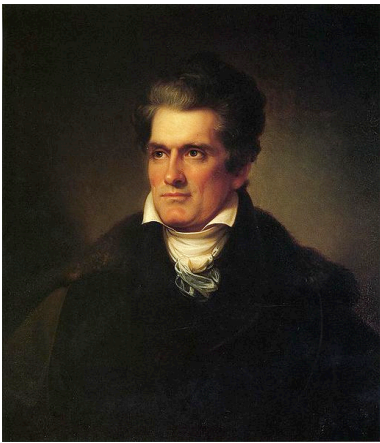
- predates KM - “what is correct in KM’s theory of class is not original, and what is original in KM’s theory of class is not correct”
- difference due to different notions of “**exploitation**”
 - KM - all economic relations involve exploitation
 - CL - voluntary economic relations are not exploitative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



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



J.S. Mill (1806-1873)



John C. Calhoun (1782-1850)



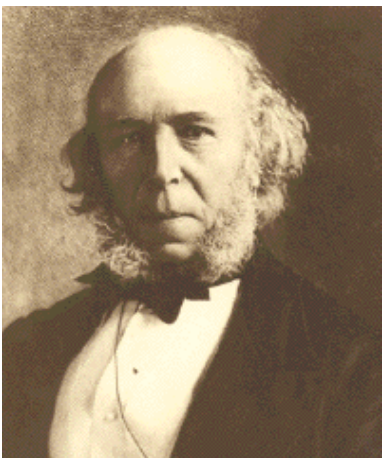
F. Bastiat (1801-1850)

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)

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

Some Visual Examples of 18th & 19thC Classical Liberal Ideas of Class

- The Three Orders in Ancien Regime France (1789)
- The Third Estate as Atlas
- "A Great Stream from a Petty-Fountain; or John Bull swamped in the Flood of new-Taxes; Cormorants Fishing the Stream" (May 9, 1806)
- James Gillray, "The British Atlas, or John Bull supporting the peace establishment" (1816)
- Honoré Daumier, "Gargantua" (1831)
- "John Bull as Gulliver" in John Wade, *The Extraordinary Black Book* (1834)



The Three Orders in Ancien Regime France (1789) (i)



The Third Estate as Atlas



"A Great Stream from a Petty-Fountain; or John Bull swamped in the Flood of new-Taxes; Cormorants Fishing the Stream" (May 9, 1806)



James Gillray, "The British Atlas, or John Bull supporting the Peace Establishment" (1816)



Honoré Daumier, “Gargantua” (1831)





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)**

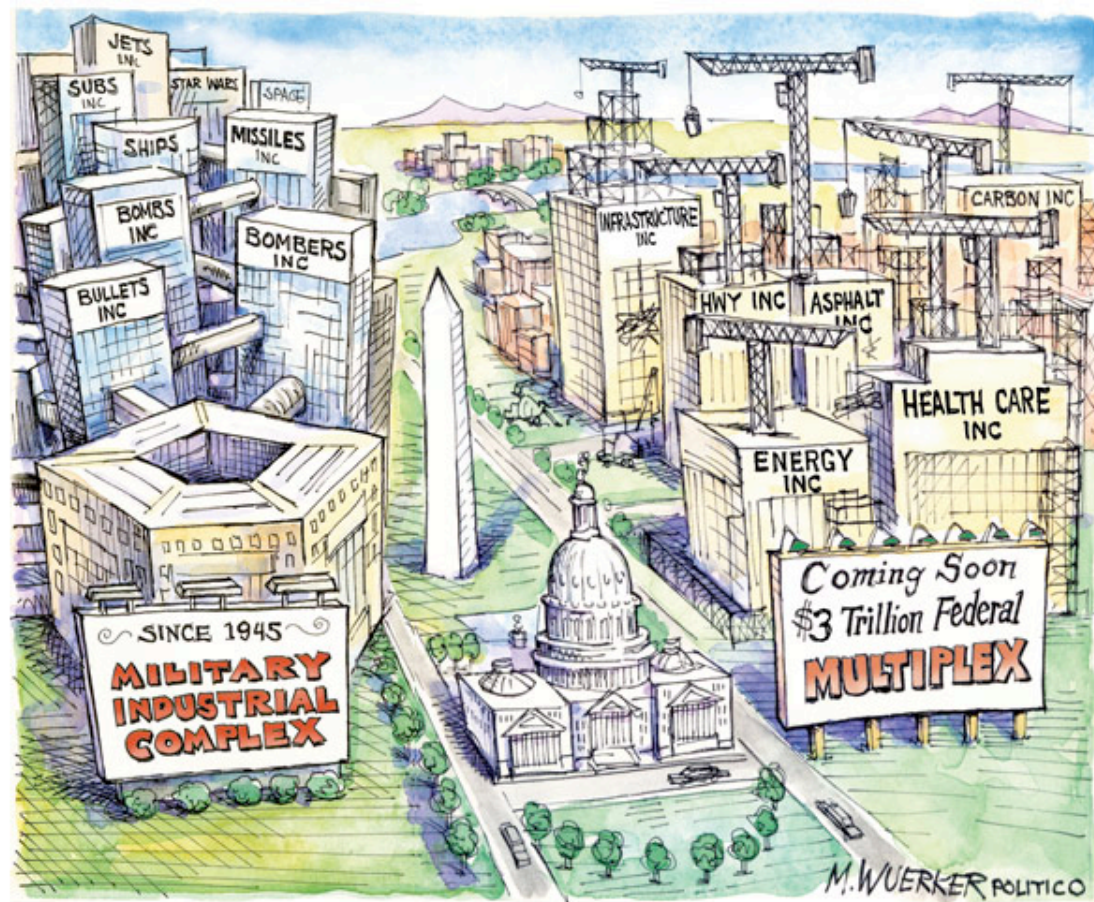
- a full libertarian theory of the State and class which draws heavily upon Austrian economic theory and history



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

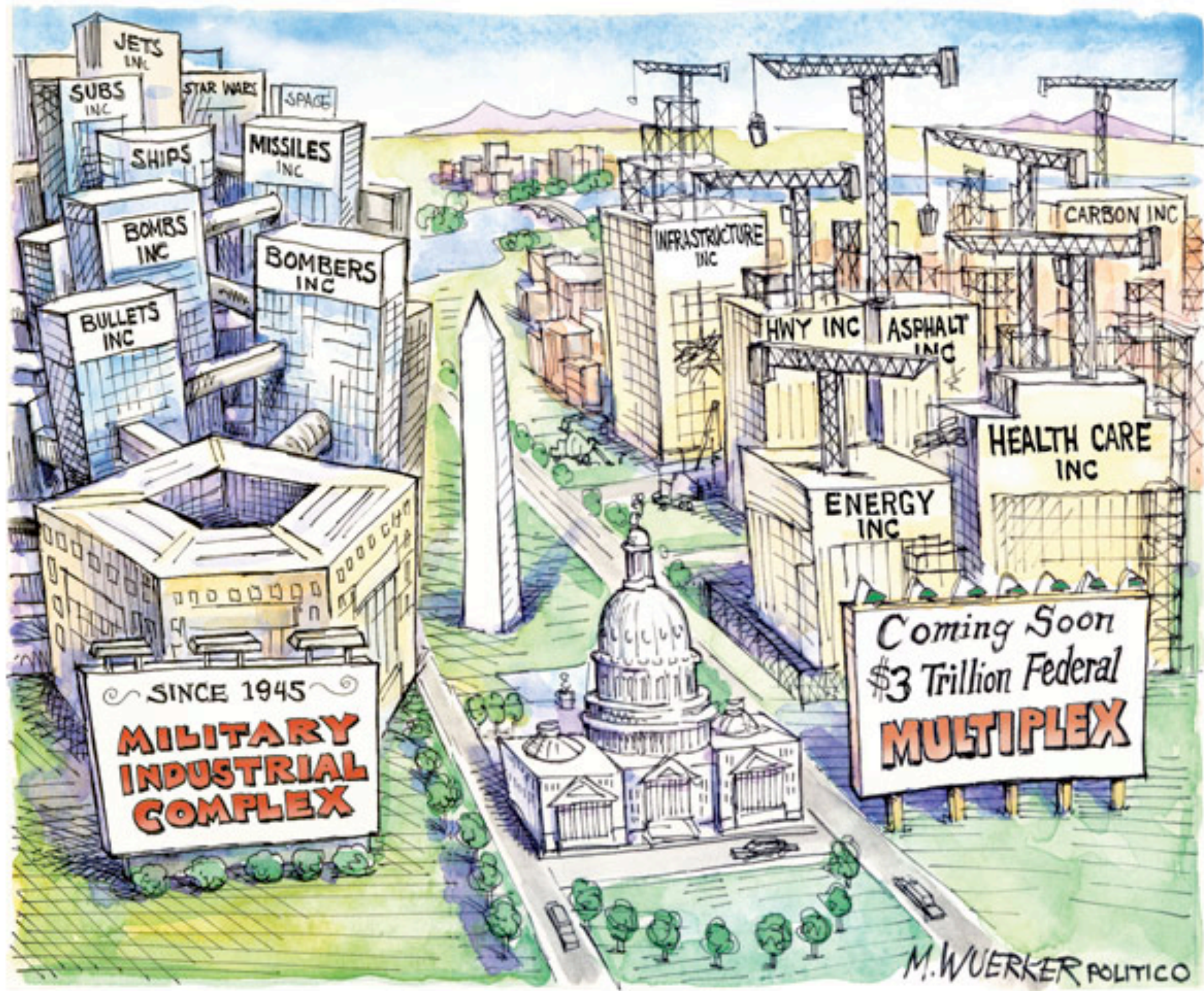
- “**public choice**” theory of the behaviour of politicians and bureaucrats as “benefit maximizers” and “rent-seekers”

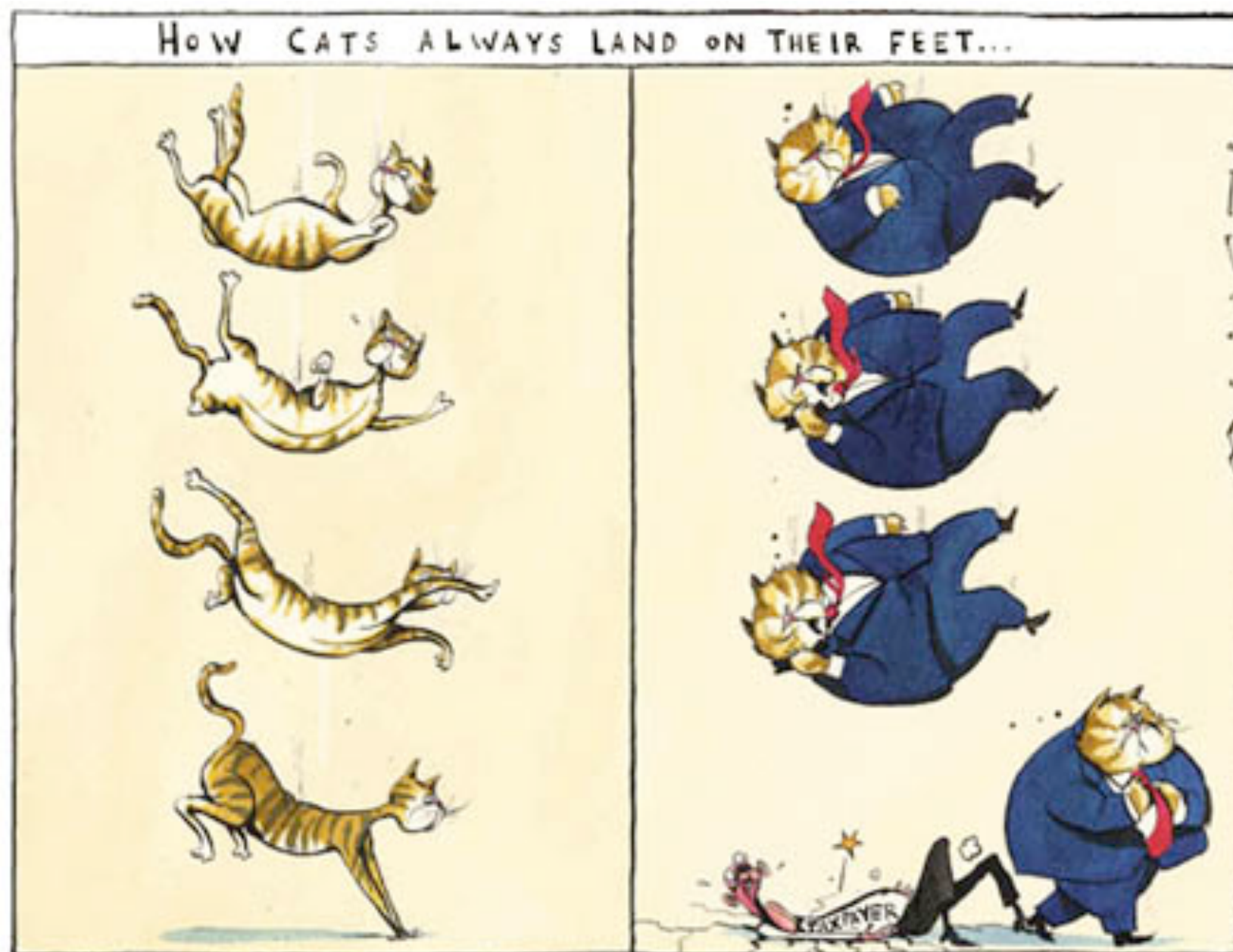
III. Some Key Features of the Ruling Class



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





“Fat Cat” Civil Servants

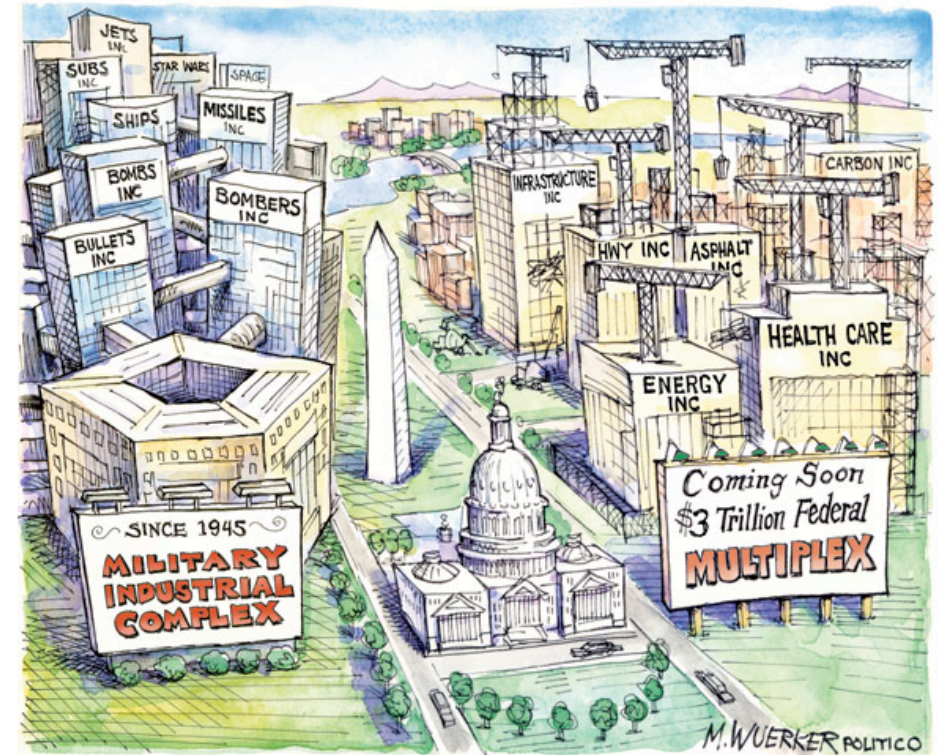
The Benefits Maximizing of “Public Servants”
***Yes, Prime Minister*, Episode 5: “A Real Partnership” (1986)**



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. in late **20thC “public choice” theory** developed a theory of the behaviour of politicians and bureaucrats as “benefit maximizers” and “**rent-seekers**”
4. the State divides society into **two rivalrous groups**, “the rulers” (the **net tax receivers**) and “the ruled” (**net tax payers**) which have different interests
5. 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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i. Force - Legitimacy - Monopoly - Functions

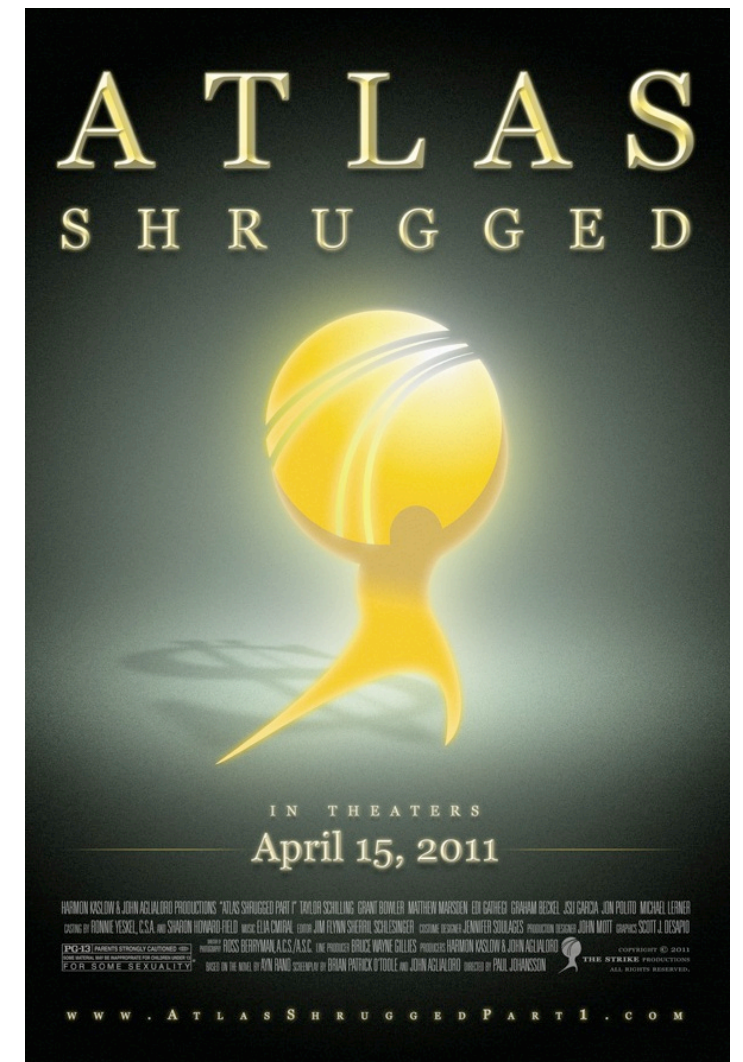
III. Some Key Features of the Ruling Class

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IV. Conclusion

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

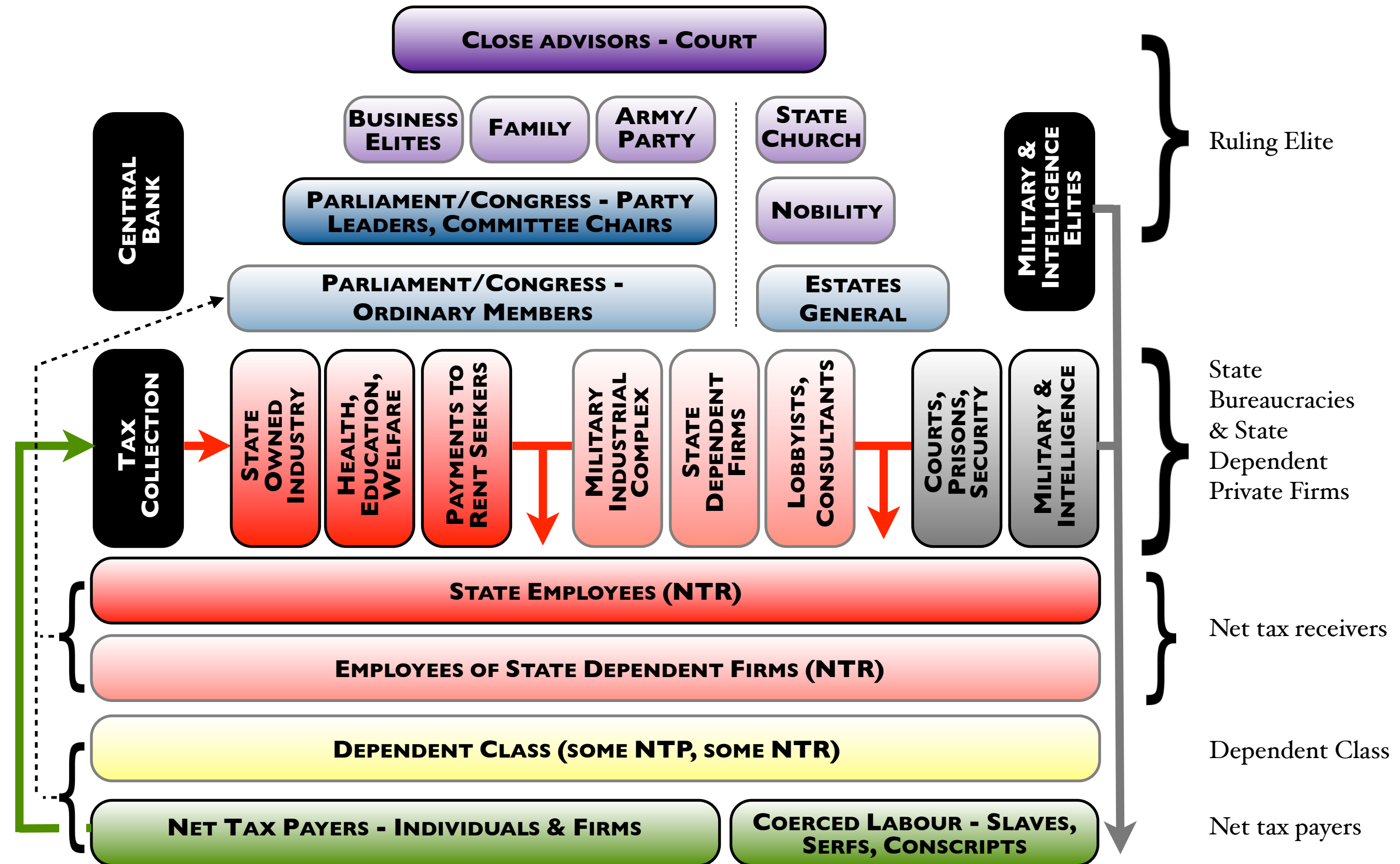
- growing number of **state employees**
- the number of **employees of state dependent firms**
- the size of the “**dependent class**”
 - the retirees who are now dependent on social security - some of whom were once “net tax payers”
 - the sick, unemployed, poor who receive tax-payer funded benefits

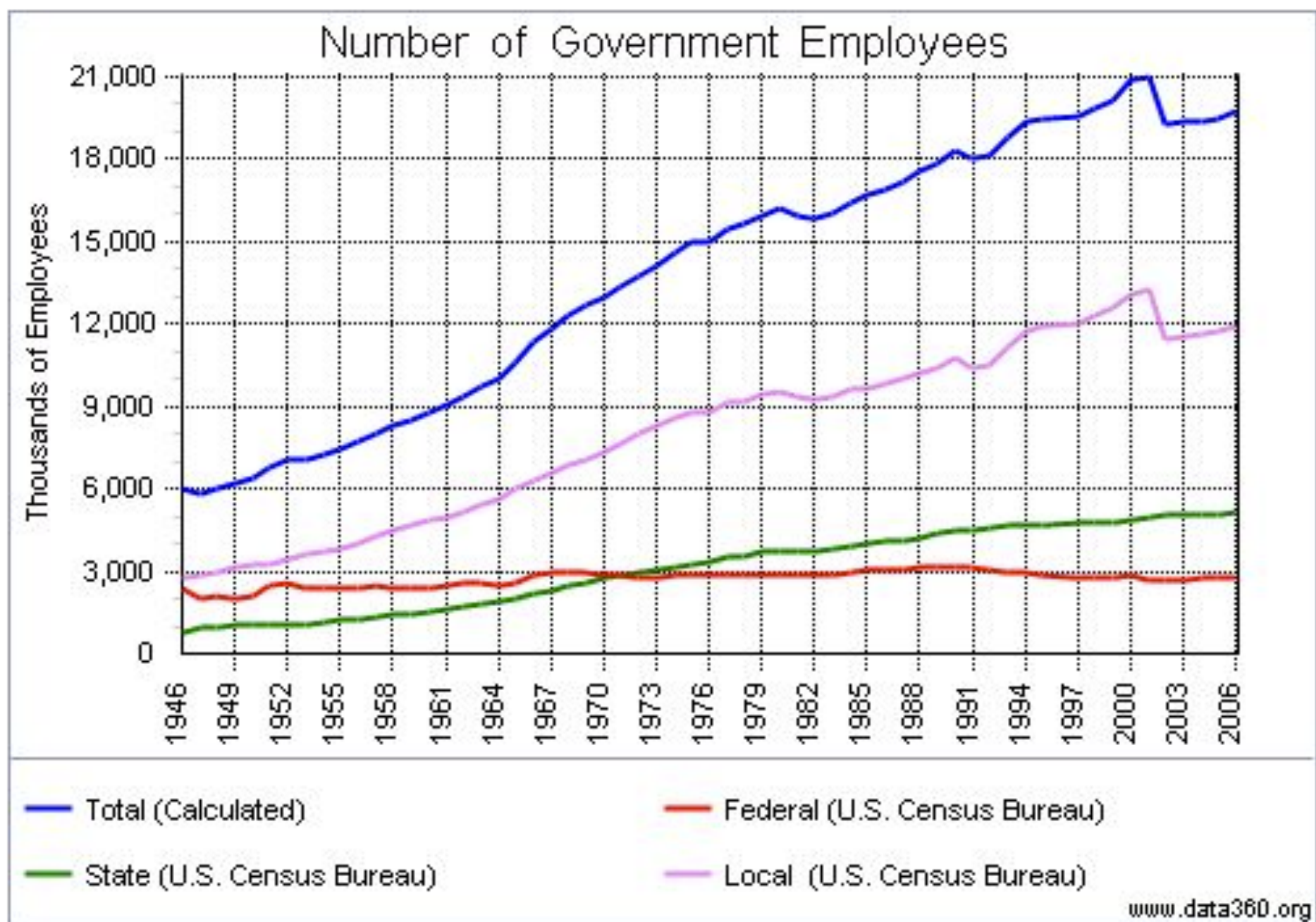




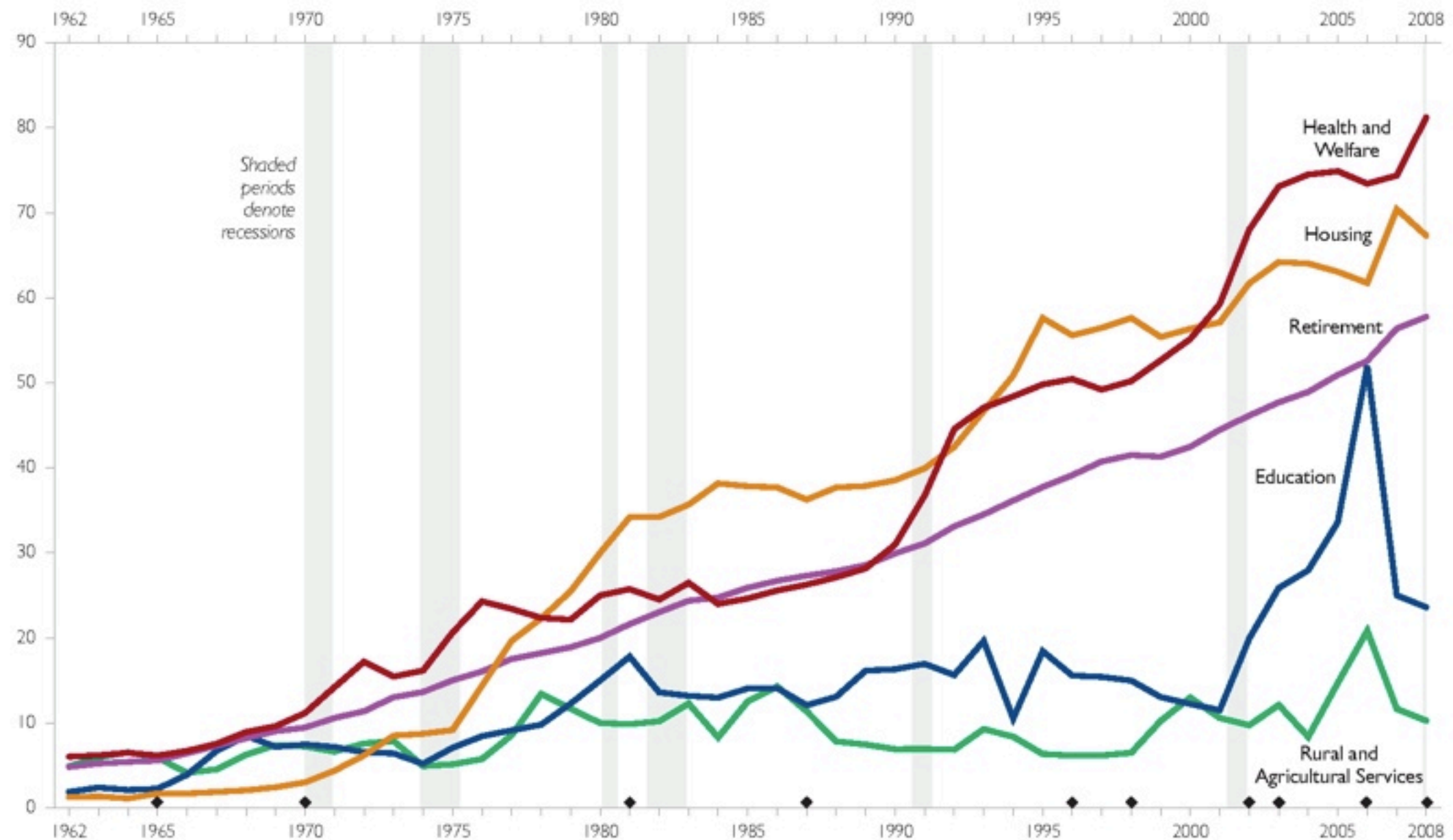
The Institutions & Class Structure of the State

[Dr. David M. Hart, May 2011]





Government Dependence Index Values Tied to Major Policy Changes



◆ Major Policy Changes

1965: Great Society programs: Medicare, Medicaid, Higher Education Act, Department of Housing and Urban Development

1970: Expansion of Social Security benefits

1981: First Reagan budget and tax cuts

1987: Extension of Social Security taxes to state and local government workers

1996: Welfare reform to include work requirement and Freedom to Farm Act

1998: Expansion of Medicaid to cover low-income children

2002: Expansion of agricultural subsidies, No Child Left Behind Act

2003: Passage of Medicare prescription drug benefit

2006: Spending for Hurricanes Katrina and Rita relief, Pell Grant expansion

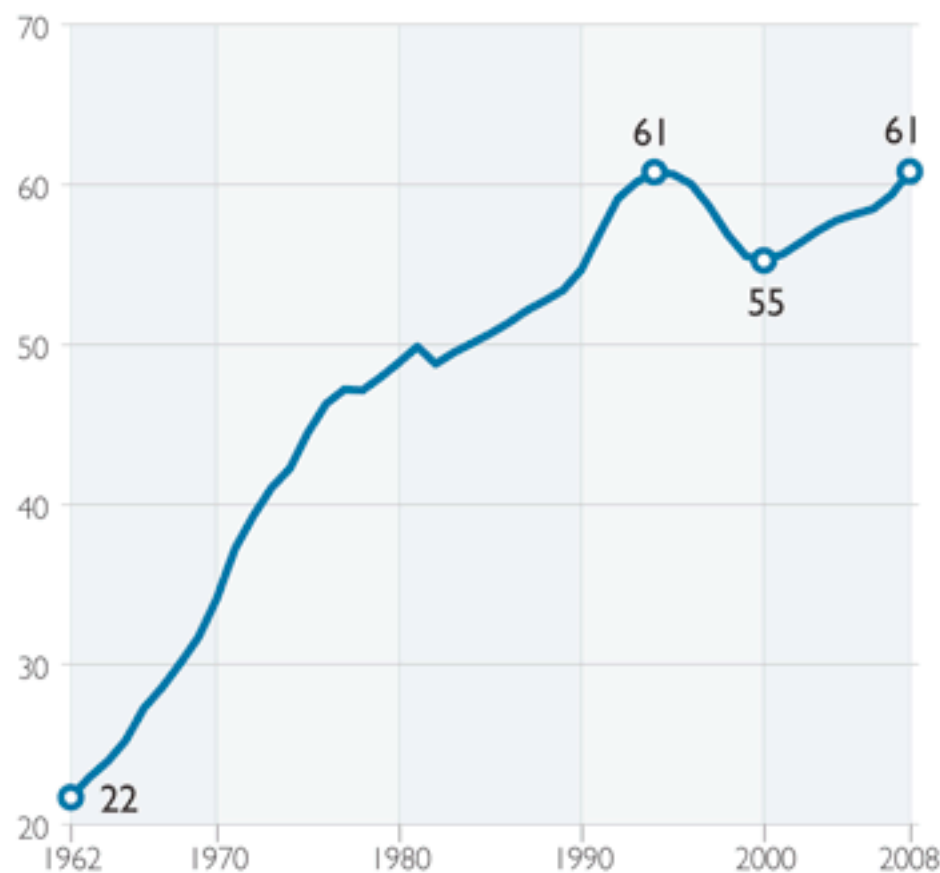
2008: Spending on recession-related programs

Source: Based on Heritage Foundation calculations sourced throughout the Index of Dependence.

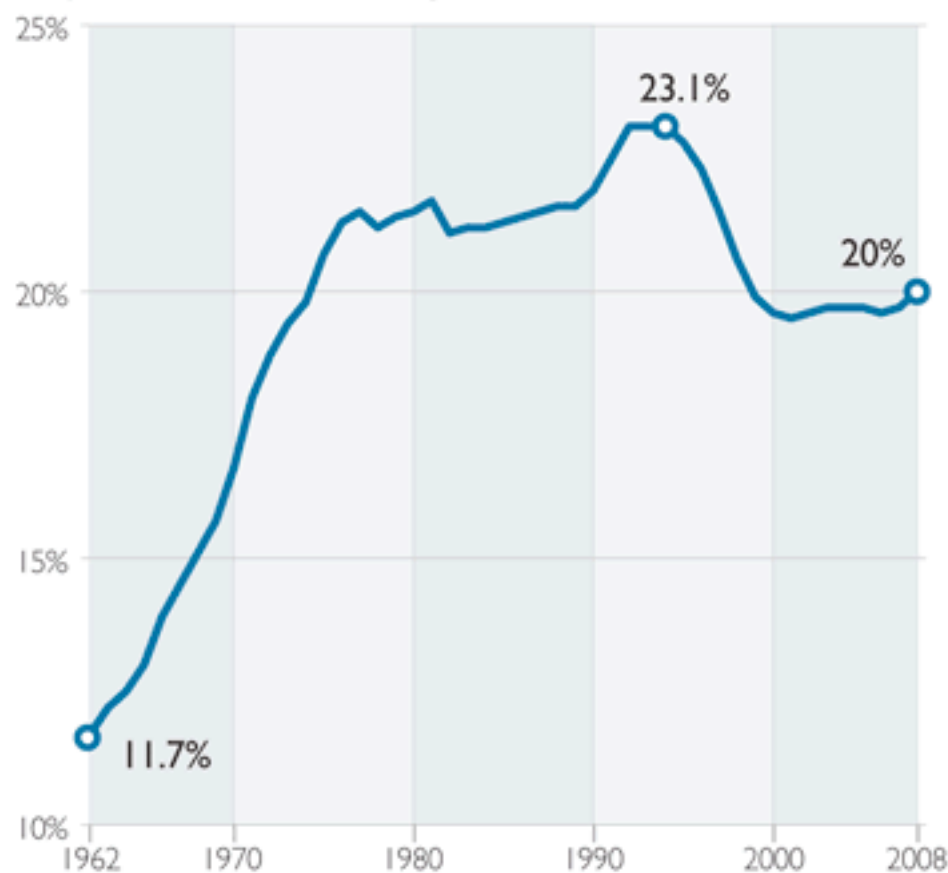
Chart 9 • CDA 10-01 heritage.org

More People in Dependence Index

Individuals in Dependence Index,
in Millions



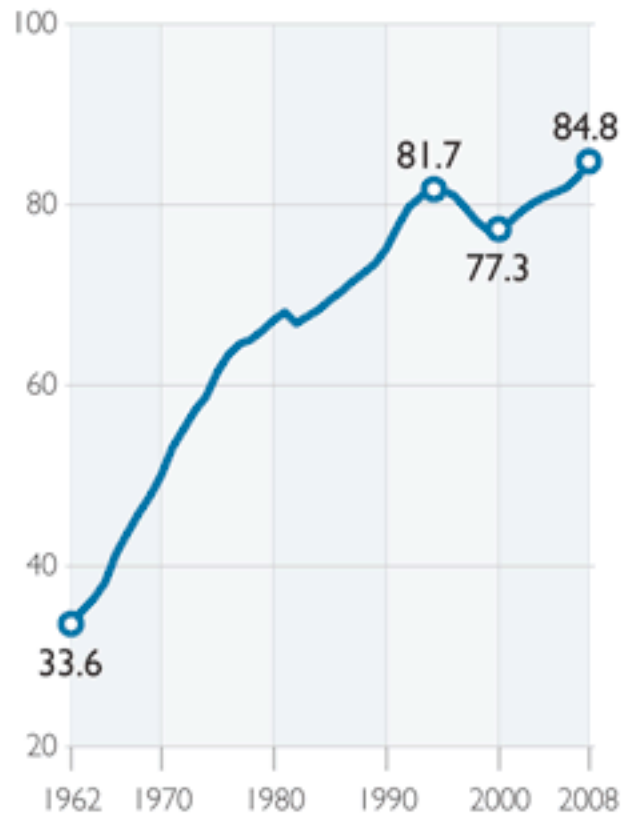
Percent of Total U.S. Population in
Dependence- Related Programs



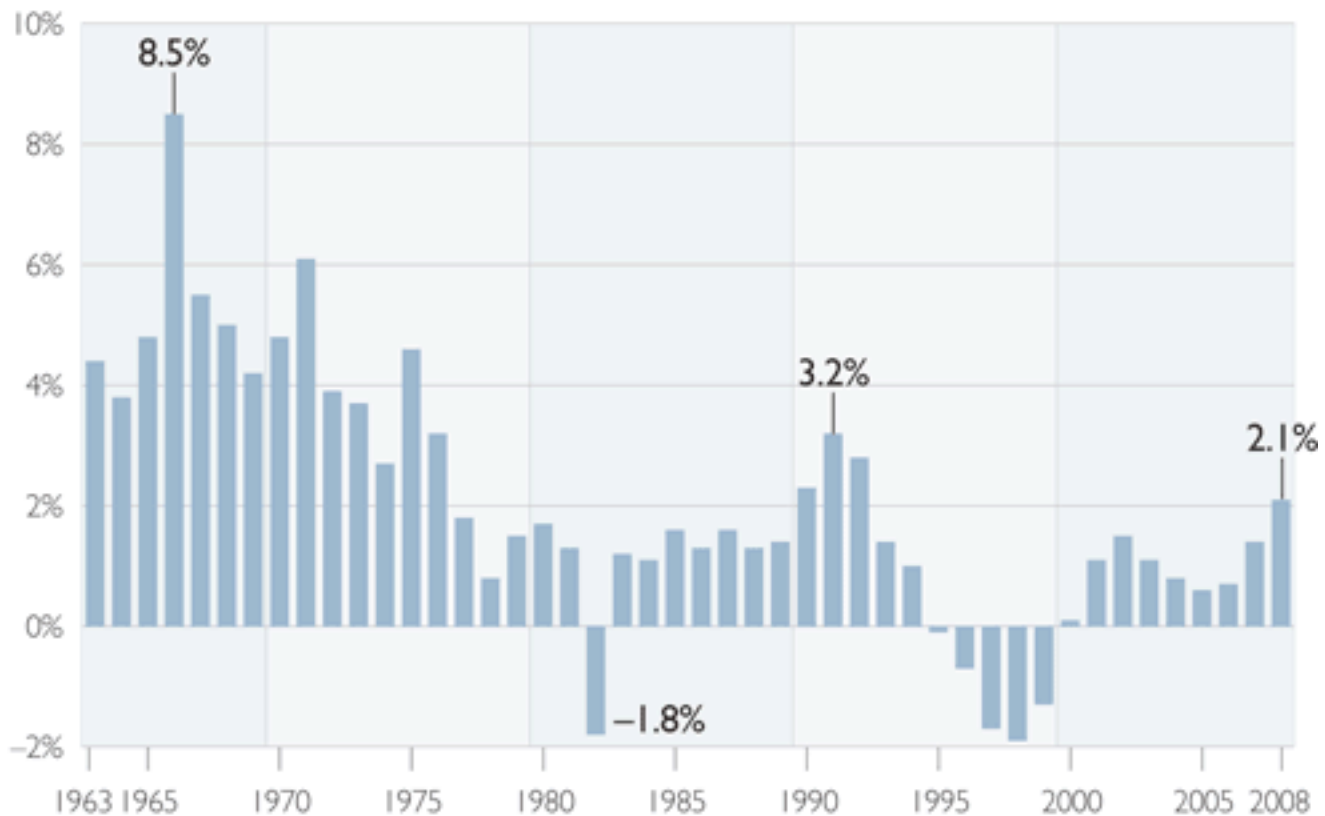
Source: Heritage Foundation calculations based on data from the U.S. Department of Education, Social Security Administration, U.S. Department of Health and Human Services, U.S. Office of Personnel Management, and U.S. Census Bureau.

Ever More People Dependent on Government

Sum of Program Participants and Government Employees, in Millions



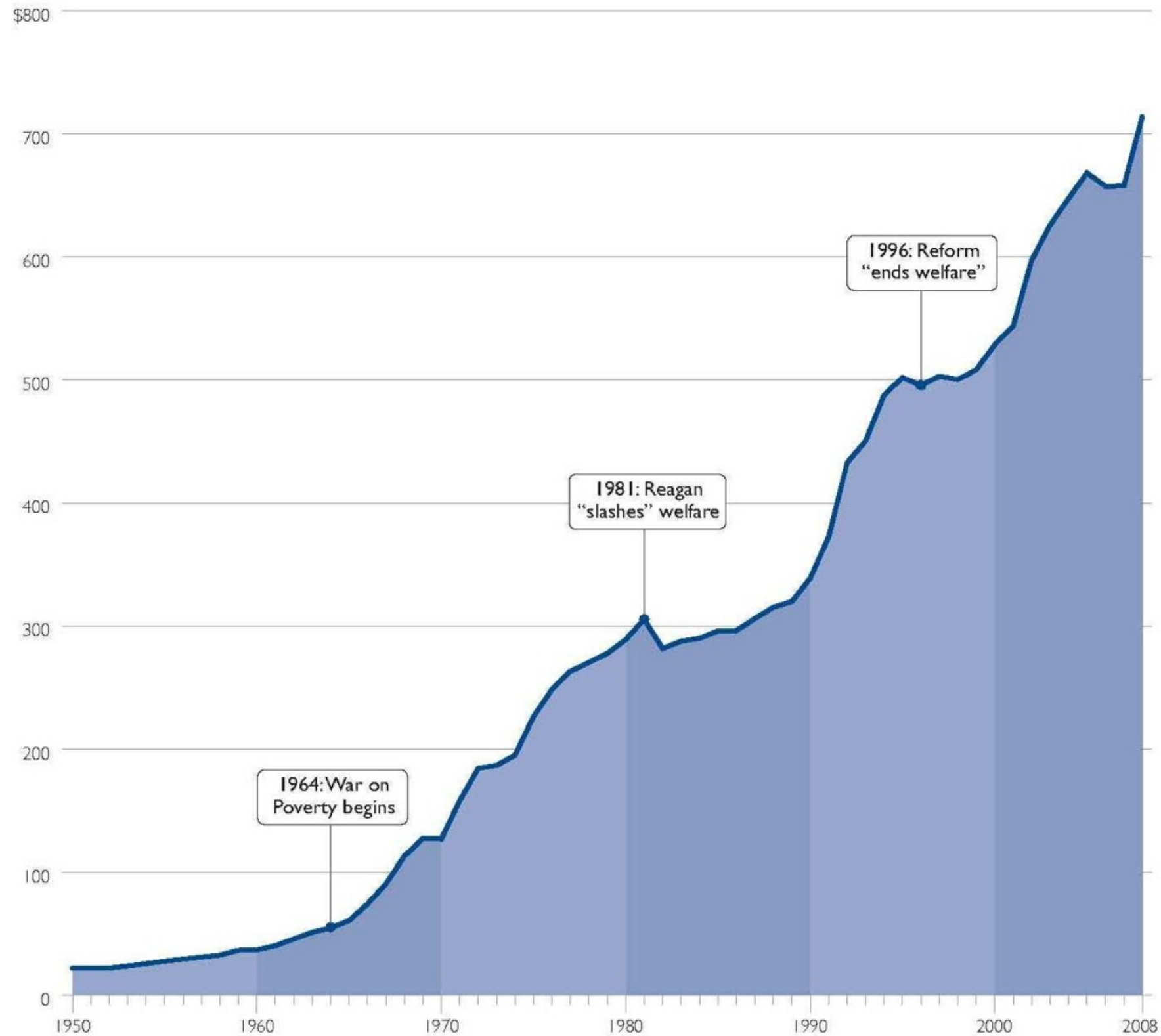
Year-to-Year Percentage Change of Total Program Participants and Government Employment



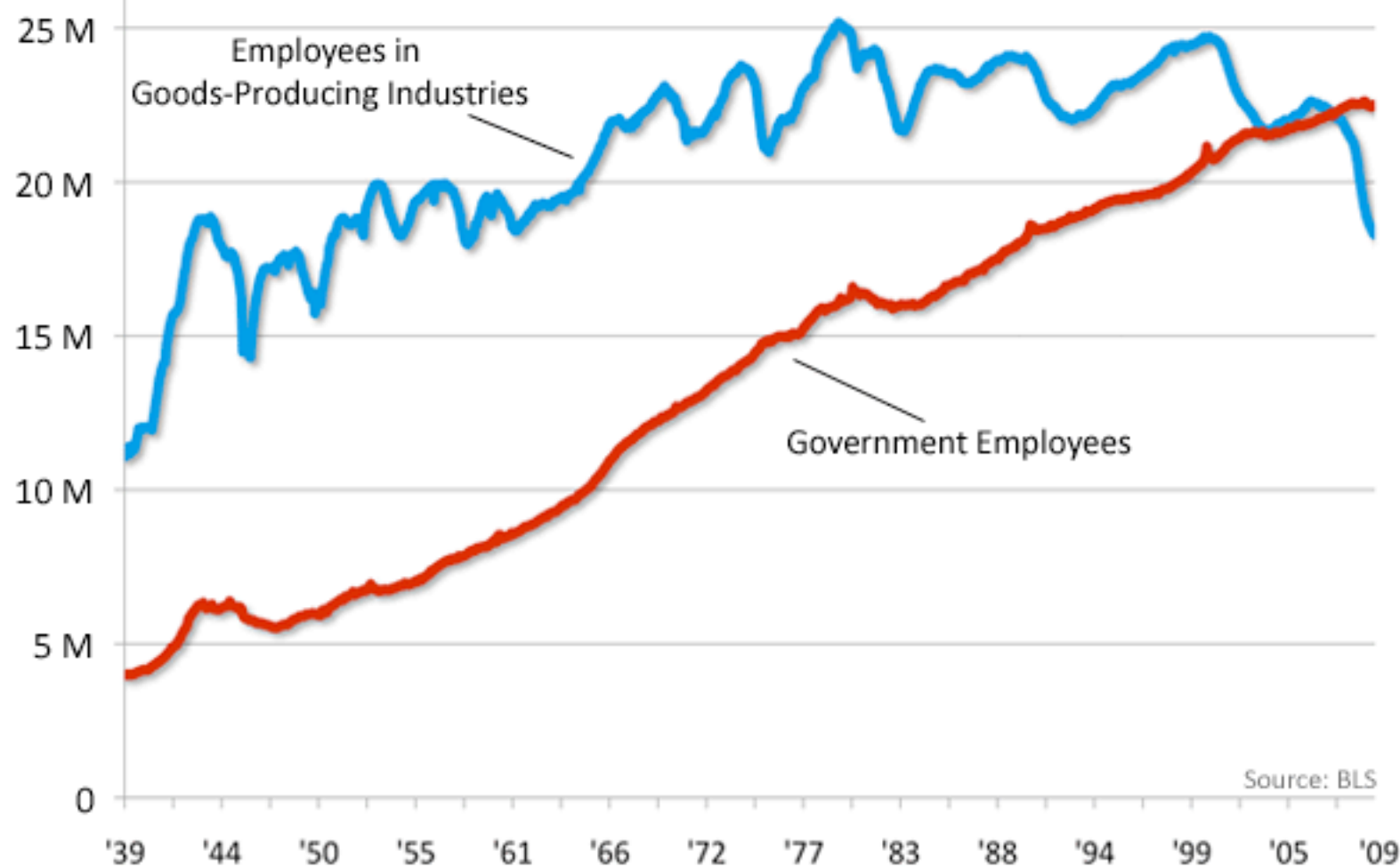
Source: Heritage Foundation calculations based on data from the U.S. Department of Education, Social Security Administration, U.S. Department of Health and Human Services, U.S. Office of Personnel Management, and Office of Management and Budget.

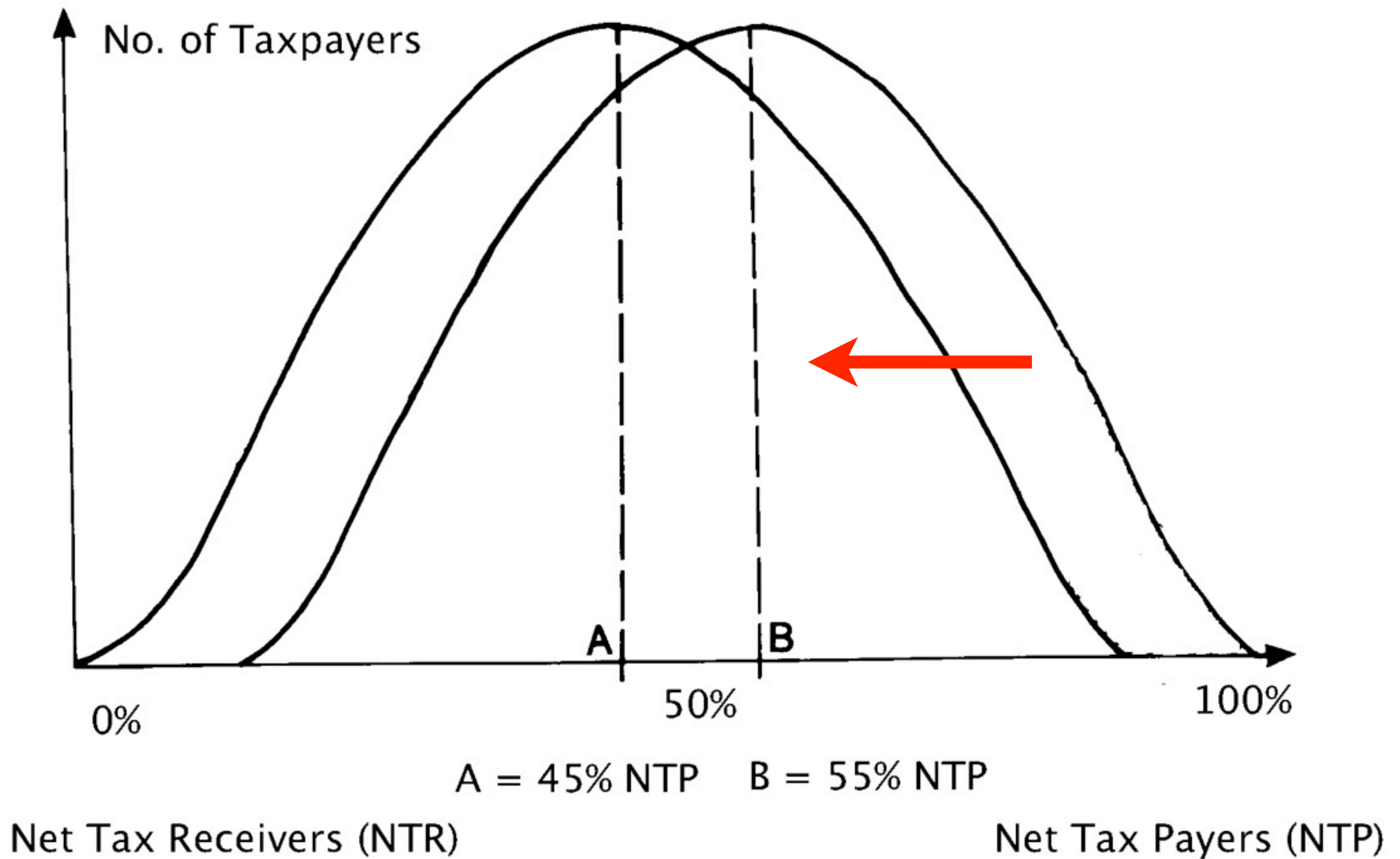
History of Total Welfare Spending

Spending in Billions of 2008 Dollars



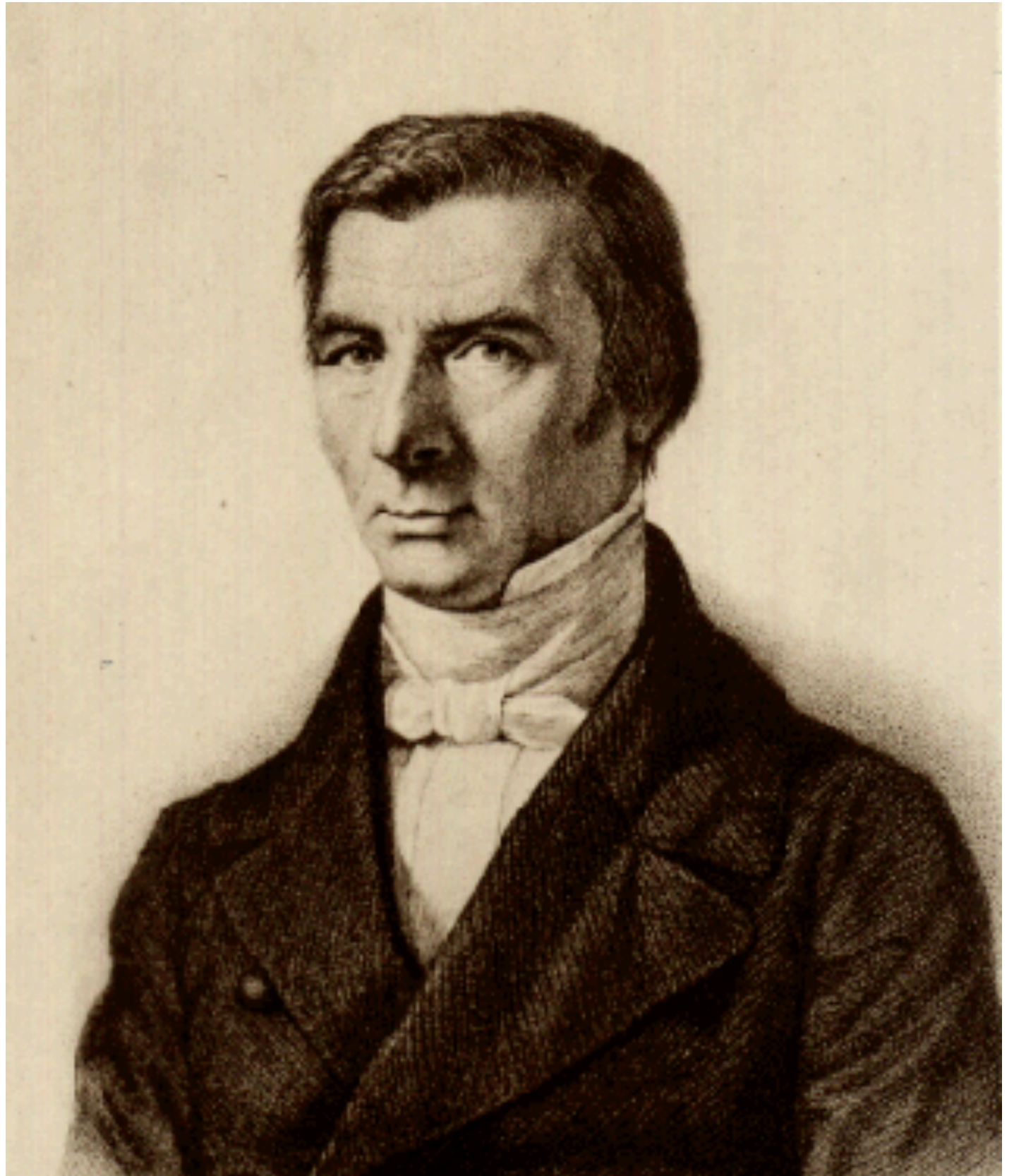
Source: The Heritage Foundation, from current and previous OMB budget documents and other official government sources.

Millions of
Employees**Goods-Producing Workers Vs. Government Payroll**

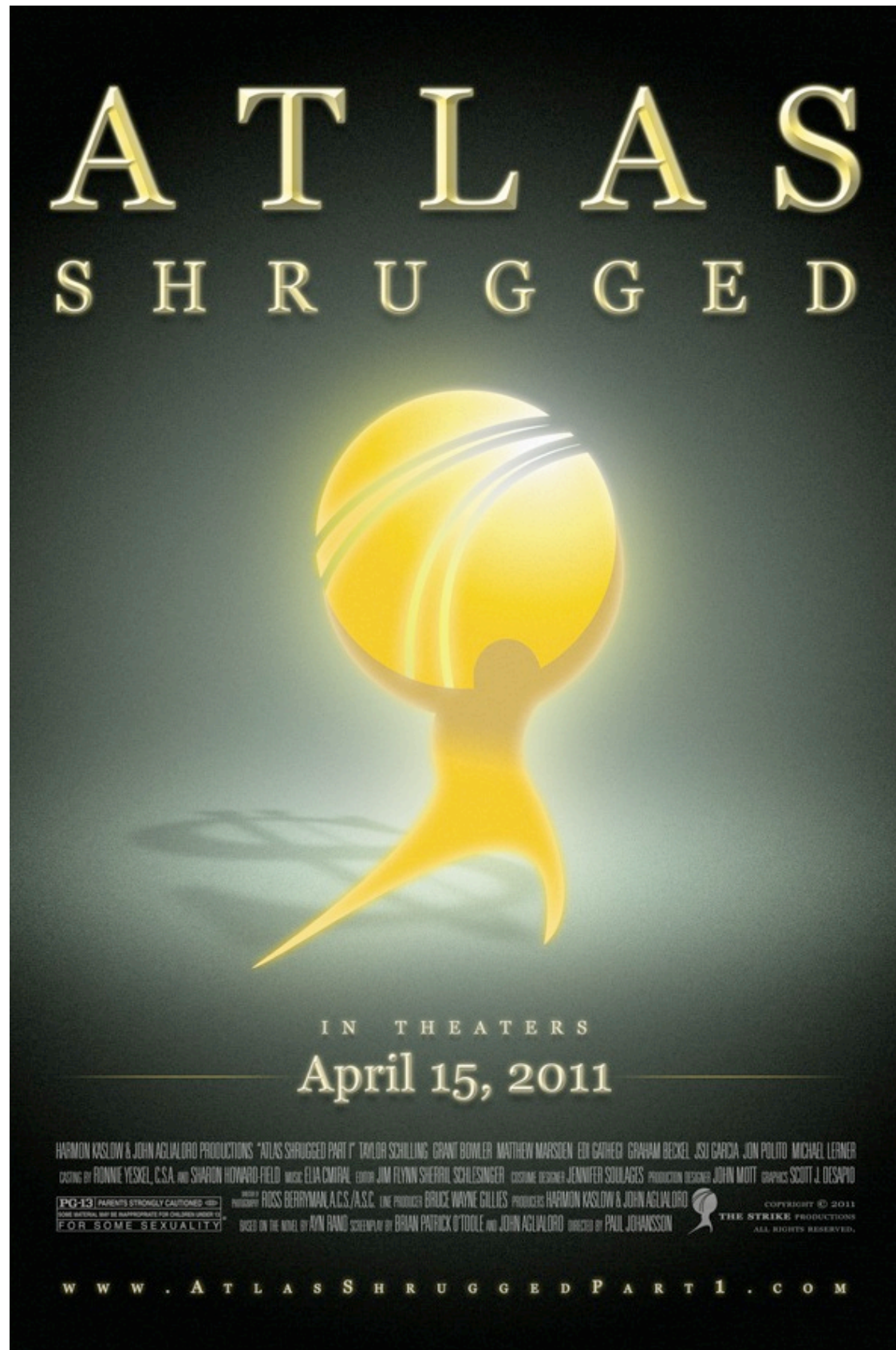


What happens to Liberty when more than 50% of the people (voters) are NTR?

“THE STATE is the
great fiction by
which EVERYONE
endeavors to live at
the expense of
EVERYONE ELSE.”



Frédéric Bastiat (1801-1850)



Will Atlas ever shrug?
[Ayn Rand, *Atlas Shrugged* (1957)]