

CHARLES COQUELIN, GUSTAVE DE MOLINARI, FRÉDÉRIC BASTIAT AND THE “AUSTRIAN MOMENT” IN FRENCH POLITICAL ECONOMY 1845-1855: MOLINARI AND THE PRIVATE PRODUCTION OF SECURITY *by David M. Hart*



“Liberty! That was the cry of the captives of Egypt, the slaves of Spartacus, the peasants of the Middle Ages, and more recently of the bourgeoisie oppressed by the nobility and religious corporations, of the workers oppressed by masters and guilds. Liberty! That was the cry of all those who found their property confiscated by monopoly and privilege. Liberty! That was the burning aspiration of all those whose natural rights had been forcibly repressed.” (S12)

Gustave de Molinari (1819-1912)

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ABSTRACT

Something very unusual happened during the decade of the 1840s in Paris. Several original thinkers from remote parts of France came together on the eve of the 1848 Revolution and pushed French economic thought in completely new directions, several of which had striking similarities to what later became Austrian economics in the 1870s and afterwards, and modern libertarian political thought, as developed by Murray N. Rothbard in the 1950s and 1960s. I call it the “Austrian Moment” in recognition of Pocock’s book *The Machiavellian Moment* (1975)¹ in which he argued that a “moment” firstly “denotes the moment, and the manner in which (a particular type) of thought made its appearance,” and secondly as “the moment in conceptualized time in which (a society) was seen as confronting its own temporal finitude, as attempting to remain morally and politically stable in a stream of irrational events.” (pp. vii-viii). Thus in the case of Paris in the 1840s, the “*Austrian moment*” is, firstly, when key ideas which later became known as Austrian economics (especially in the version espoused by Rothbard) appeared for perhaps the first time, and secondly, the “*Austrian moment*” is that period when France was going through an intellectual and economic crisis brought on by the rise of socialist ideas, the increasingly apparent corruption of King Louis Philippe’s régime, and several systemic economic problems especially in the production of food and the onset of industrialisation, which ultimately led to the collapse of the July Monarchy and the Revolution of February 1848.

The three individuals who made up this “Austrian moment”, in chronological order of birth, were Frédéric Bastiat (1801-1850) who came from Gascony and wrote many tracts in favour of free trade, opposing the rise of socialist ideas, and an unfinished treatise on economic theory in which he developed an early version of subjective value theory and human action (Crusoe economics); Charles Coquelin (1802-1852) who came from Dunkerque and wrote on free banking; and Gustave de Molinari (1819-1912) who came from Liège (after 1830 part of Belgium) and wrote on the private provision of all public goods (including police

¹ J.G.A. Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* (Princeton: Princeton University Press, 1975).

and defense services). They were part of a larger group of individuals whom I call “The Seven Musketeers of French Political Economy” who were important in transforming French liberal politics and economic thought through their activities as organisers, publishers, agitators, lobbyists, educators, researchers, and writers. They migrated to Paris from the provinces and were active for about 7 years in the “Guillaumin network” which sprang up around the Guillaumin publishing firm, before they were dispersed through early deaths (Bastiat, Coquelin) or exile (Molinari) following the Revolution and the coming to power of Emperor Napoleon III.

This paper is one component of a multi-part study of their ideas, the inter-relationships between them and the other Paris economists in the 1840s, and the impact their innovative ideas had on the history of economic and libertarian thought. The following papers are part of this series:

- "Unfortunately, hardly anyone listens to the Economists': The Battle against Socialism by the French Economists in the 1840s."
- "The Seven Musketeers of French Political Economy in the 1840s"
- "Opposing Economic Fallacies, Legal Plunder, and the State: Frédéric Bastiat's Rhetoric of Liberty in the Economic Sophisms (1846-1850)"
- "On Ricochets, Hidden Channels, and Negative Multipliers: Bastiat on Calculating the Economic Costs of 'The Unseen'."
- "Reassessing Frédéric Bastiat as an Economic Theorist"
- "Bastiat's use of Literature in Defense of Free Markets and his Rhetoric of Economic Liberty"
- "The Economics of Robinson Crusoe from Defoe to Rothbard by way of Bastiat"
- "The Struggle against Protectionism, Socialism, and the Bureaucratic State: The Economic Thought of Gustave de Molinari, 1845-1855"
- "Negative Railways, Turtle Soup, talking Pencils, and House owning Dogs": "The French Connection" and the Popularization of Economics from Say to Jasay."

ABOUT THE AUTHOR

David Hart was born and raised in Sydney, Australia. He did his undergraduate work in modern European history and wrote an honours thesis on the radical Belgian/French free market economist Gustave de Molinari, whose book *Evenings on Saint Lazarus Street* (1849) he is currently editing for Liberty Fund.² This was followed by a year studying at the University of Mainz studying German Imperialism, the origins of the First World War, and German classical liberal thought. Postgraduate degrees were completed in Modern European history at Stanford University (M.A.) where he also worked for the Institute for Humane Studies (when it was located at Menlo Park, California) and was founding editor of the *Humane Studies Review: A Research and Study Guide*; and a Ph.D. in history from King's College, Cambridge on the work of two early 19th century French classical liberals, Charles Comte and Charles Dunoyer, entitled *Class Analysis, Slavery and the Industrialist Theory of History in French Liberal Thought, 1814-1830: The Radical Liberalism of Charles Comte and Charles Dunoyer* (1994).³ He then taught for 15 years in the Department of History at the University of Adelaide in South Australia where he was awarded the University teaching prize.

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² Available online: David M. Hart, *Gustave de Molinari and the Anti-Statist Liberal Tradition* (Dept. of History, Macquarie University, 1979). Published in the *Journal of Libertarian Studies*, 1981-82, Part I in vol. V, no. 3, (Summer 1981), pp. 263-290; Part II in vol. V, no. 4, (Fall 1981), pp. 399-434; and Part III in Vol. 6, no. 1, (Winter 1982), pp. 83-104. Online: <davidmhart.com/liberty/FrenchClassicalLiberals/Molinari/Thesis/>.

³ Available online: David M. Hart, *Class Analysis, Slavery and the Industrialist Theory of History in French Liberal Thought, 1814-1830: The Radical Liberalism of Charles Comte and Charles Dunoyer* (unpublished PhD, King's College Cambridge, 1994) <davidmhart.com/liberty/Papers/CCCD-PhD/HTML-version/>.

Fund's translation project of the *Collected Works of Frédéric Bastiat* (in 6 vols.),⁴ is editing a translation of Molinari's *Evenings on Saint Lazarus Street: Discussions on Economic Laws and the Defence of Property* (1849),⁵ and is the Editor of the bi-monthly "Liberty Matters" online discussion forum.

Other large publishing and editing projects he has worked on at the OLL website include:

- *The Collected Works of Lysander Spooner (1834-1886)*, in 5 volumes
- *The Political Writings of James Mill: Essays and Reviews on Politics and Society, 1815-1836*
- *Tracts on Liberty by the Levellers and their Critics (1638-1660)*, 7 vols⁶
- *A Reader's Guide to the Works of Frédéric Bastiat (1801-1850)* and a new online edition of his *Collected Works* in chronological order

David is also the co-editor of two collections of 19th century French classical liberal thought (with Robert Leroux of the University of Ottawa), one in English published by Routledge: *French Liberalism in the 19th Century: An Anthology* (Routledge studies in the history of economics, May 2012), and another in French called *L'âge d'or du libéralisme français. Anthologie XIXe siècle* (The Golden Age of French Liberalism: A 19th Century Anthology) (Paris: Editions Ellipses, 2014).

⁴ See the "Summary of the Bastiat Project" <<http://oll.libertyfund.org/pages/bastiat-project-summary>>. There is also "A Chronological List of Bastiat's writings" <<http://oll.libertyfund.org/pages/list-of-bastiat-s-works-in-chronological-order>>.

⁵ See the Liberty Matters online discussion of "Gustave de Molinari's Legacy for Liberty" <<http://oll.libertyfund.org/pages/roderick-long-gustave-de-molinari-s-legacy-for-liberty-may-2013>>. And a working draft of Liberty Fund's translation of *Les Soirées de la rue Saint-Lazare* (Evenings on Saint Lazarus Street) (1849) <<http://oll.libertyfund.org/pages/gdm-soirees>>.

⁶ *Tracts on Liberty by the Levellers and their Critics (1638-1660)*, 7 vols. See "Summary of the Leveller Tracts Project" for a description and more links. <<http://oll.libertyfund.org/pages/leveller-tracts-summary>>.

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THE “AUSTRIAN MOMENT” IN FRENCH POLITICAL ECONOMY 1845-1855: THE CONTRIBUTIONS OF CHARLES COQUELIN, GUSTAVE DE MOLINARI, AND FRÉDÉRIC BASTIAT

Illustration: rue de Richelieu and the Molière Fountain



The rue de Richelieu in Paris where the Guillaumin publishing firm had its headquarters (left fork). It is also where the Political Economy Society met. A statue of Molière and a fountain can be seen in the centre.

1.Introduction

Opening quote: “the moment was not well chosen”

Il croyait fermement à un avenir de liberté et de paix, mais est-il bien nécessaire de dire que le moment était mal choisi pour plaider la cause de la liberté et de la paix?

He firmly believed in a future of liberty and peace, but is it even necessary to say that the moment was not well chosen to plead the cause of liberty and peace?

[Source: Molinari obit of J. Garnier, JDE 1881, p. 10.]⁷

PREFACE AND OVERVIEW

This paper is part of a larger work which explores the thought and activities of two of the leading lights among the French economists during this period, Frédéric Bastiat (1801-1850) and Gustave de Molinari (1819-1912).⁸ I am working on a large translation and editing project for Liberty Fund which will bring more of their important work to the attention of English readers.⁹ Here, I will focus on the early work of Molinari which he did in Paris during the 1840s and early 1850s before he went into voluntary exile in Belgium after the self-styled “Prince-

⁷ Molinari, Obituary of Joseph Garnier, JDE, Sér. 4, T. 16, No. 46, October 1881, pp. 5-13.

Quote p. 10. Although he was referring to the life of his friend Joseph Garnier in the obituary his comments applied equally to himself, which may have been his intention.

⁸ The first biography of Molinari only appeared in 2012: Gérard Minart, *Gustave de Molinari (1819-1912): Pour un gouvernement à bon marché dans un milieu libre* (Paris: Éditions de l'Institut Charles Coquelin, 2012). A shorter biographical sketch is by David M. Hart, "Molinari, Gustave de (1819-1912)," *The Encyclopedia of Libertarianism*, eds. Ronald Hamowy et al. (Los Angeles: Sage, 2008), pp. 336-37. And the older obituary by Yves Guyot, "M. G. de Molinari," JDE, Sér. 6. T. 33. Février 1912, pp. 177-96. On his political thought see, David M. Hart, "Gustave de Molinari and the Anti-statist Liberal Tradition" *Journal of Libertarian Studies*, in three parts, (Summer 1981), V, no. 3: 263-290; (Fall 1981), V, no. 4: 399-434; (Winter 1982), VI, no. 1: 83-104.

⁹ See a summary of the Bastiat Project at the OLL <<http://oll.libertyfund.org/pages/bastiat-project-summary>> and the draft of Liberty Fund's translation of Molinari's *Les Soirées de la rue Saint-Lazare* (Evenings on Saint Lazarus Street) (1849). <<http://oll.libertyfund.org/pages/gdm-soirees>>.

President” Louis Napoléon seized power in a coup d’état on 2 December 1851. Molinari refused to live under Napoléon’s authoritarian régime which had cracked down severely on freedom of speech and association after four years of upheaval caused by the 1848 Revolution and the Second Republic, and which promised to introduce a new form of highly regulated bureaucratic “socialism from above”.

In particular, I will focus on three works: the book he wrote in the middle of this period, *Les Soirées* in 1849, where many of his ideas were developed or came together in a coherent form for the first time; the *Dictionnaire de l’Économie politique* (1852) on which he worked as an assistant editor, and his economic treatise *Cours d’économie politique* which was published in 1855 after he moved to Brussels in December 1851.

The very long life of Gustave de Molinari can be divided into the following main segments (see the Appendix for more details):

- 1819-1840: childhood and youth spent in Liège
- 1840-1851: journalist, free trade activist, and economist in Paris
- 1852-1867: academic economist, free market lobbyist, and journalist in Brussels
- 1867-1881: returns to journalism in Paris as editor of the *Journal des débats*
- 1881-1909: editor of the *Journal des Économistes*, very prolific period in his life; writes on economics and historical sociology and his travels
- 1909- 1912: “retirement”

In this paper I will be focusing on the period 1845 to 1855 (when Molinari was between 26 and 36 years old) which spans the second and third periods when he lived and worked in Paris and then the first couple of years of his exile in Brussels. During that decade he wrote a number of important books and articles which show his developing sophistication as an economic and social theorist as well as his radical libertarian ideas. They are:

- *Études économiques. L’Organisation de la liberté industrielle et l’abolition de l’esclavage* (Economic Studies on the Organization of Industrial Liberty and the Abolition of Slavery) (1846)
- *Histoire du tarif* (The History of Tariffs) (1847)

- two volumes of the *Collection des Principaux économistes* on 18th century economic thought (1847-48)
- the article “De la production de la sécurité” (The Production of Security) JDE, Feb. 1849 and *Les Soirées de la rue Saint-Lazare* (Evenings on Saint Lazarus Street (1849)
- 25 principle articles and 4 biographical articles for the *Dictionnaire de l'Économie politique* (1852-53)
- *Les Révolutions et le despotisme envisagés au point de vue des intérêts matériel* (Revolutions and Despotism seen from the perspective of Material Interests) (1852)
- *Cours d'économie politique* (1855, 2nd ed. 1863)
- his second collection of “conversations”, *Conservations familières sur le commerce des grains*. (Familiar Conversations about the Grain Trade) (1855).

Some of the key issues and ideas he concerned himself with during this period of intense activity include the following:

- labour issues involving bans on labour organisations, the nature of coerced labour (especially slavery in the colonies), and the idea of labor exchanges which would do for the labour market what stock exchanges were doing for the capital market.
- the history and economics of tariffs and other forms of trade restrictions, and his involvement in Bastiat's French Free Trade Association
- his involvement in the Guillaumin publishing firm's large history of economic thought program for which he edited two large volumes of late 18th century thought with his introductions and annotations.
- his lectures in economic theory at the private *Athénée royal de Paris* which were interrupted by the February Revolution but which he resumed when he became a professor in Brussels in the early 1850s
- his involvement in the Revolution of February 1848 as a journalist, public speaker, and anti-socialist writer
- the book length series of “conversations” between a Socialist, a Conservative, and an Economists - the “*Soirées de la rue Saint-Lazare*” - in which he provided a concise survey of the classical liberal position (perhaps the first of its type) and explored how all public goods might be privatised, including the “production of security” (i.e police and national defence)

- his large contribution to another important Guillaumin publishing project, the *Dictionary of Political Economy* (1852-53) for which he wrote nearly 30 long articles on things like free trade, tariffs, slavery, colonies, and war
- his class analysis of the causes of the 1848 Revolution and the rise to power of Louis Napoléon, and his general theory of the state

In many respects, this period saw Molinari at his most radical, when he was youthful and full of hope that liberal reforms could be introduced into France, that the ruling elites could be deprived of their power peacefully, and that the ordinary men and women of France would see the virtue of free trade, limited government, and peace. The wreckage of the 1848 Revolution and the rise to power of Louis Napoléon put paid to those hopes so he sought exile in his native Belgium where he became a professor of economics and a free trade and labour exchange advocate for about 16 years. In a two volume collection of his essays and articles from this period of his life which he published in 1861¹⁰ he was still very much a radical libertarian who was proud of his work on labour issues, free trade, the private provision of security, and peace. A good sense of his radicalism and commitment can be found in the moving “Introduction” which he called his “Credo”:

Nous sommes convaincu que cette industrie (la production la sécurité), qui est la branche essentielle des attributions gouvernementales, est destinée à passer, tôt ou tard, du régime du monopole ou de la communauté forcée au régime de la liberté pure et simple, et que tel sera le « couronnement de l'édifice » du progrès politique et économique. En un mot, nous croyons que tout ce qui est organisation imposée, rapports forcés, doit faire place à l'organisation volontaire, aux rapports libres. (p. xxvii)

We are convinced that this industry (the production of security) which is the essential branch of governmental functions, is destined to pass sooner or later from the régime of monopoly and coerced community to the régime of liberty pure and simple, and that it will be “the crowning achievement” of political and economic progress. In a word, we believe that that everything which is based upon imposed organisation and violent relations must make way to voluntary organisation and free relations. ...

¹⁰ Gustave de Molinari, *Questions d'économie politique et de droit public* (Paris: Guillaumin; Brussels: Lacroix, 1861), 2 vols. “Introduction,” pp. v-xxxi.

Ainsi donc, établir dans toutes les branches de l'activité humaine la liberté, et garantir la propriété qui n'en est que le corollaire; substituer les rapports libres aux rapports forcés, voilà le but que doivent poursuivre les amis du progrès.

Ce but, ils doivent encore s'en tenir pour l'atteindre à *la persuasion* et à *l'exemple*, comme aux moyens les plus efficaces et les plus économiques, dans l'état actuel de la civilisation, de réaliser le *progrès au meilleur marché possible*.

Nous ne nous dissimulons pas, au surplus, tout ce que les travaux que nous réunissons aujourd'hui présentent d'incomplet et d'insuffisant. Plusieurs démonstrations, et en particulier celles qui concernent la liberté des cultes et la liberté de gouvernement sont à peine ébauchées, d'autres manquent tout à fait. Nous espérons toutefois que la grandeur et l'harmonie du système dont nous avons esquissé les principaux traits éclateront aux regards, malgré ces lacunes de nos démonstrations, et nous nous croirons suffisamment récompensé de nos peines si nous sommes parvenu à recruter quelques prosélytes de plus à la cause à laquelle nous avons voué notre vie, et dont le *Credo* peut se résumer en ces mots : *la Liberté et la Paix*. (p. xxxi)

Thus, to establish liberty in all the branches of human activity, and to guarantee property which is only its corollary; to replace violent relations with free relations, this is the goal which the friends of progress must pursue.

Still, they must resolve to pursue this goal by means of *persuasion* and *example*, as the most efficient and economical means, in the present state of civilisation, of realising *progress at the best price possible*.

Furthermore, we do not hide the fact that the works which we have gathered here today are incomplete and inadequate. Several of them, in particular those concerning the freedom of religion and the free of government are scarcely more than sketches. Others lack substance. Nevertheless we hope that the grandeur and harmony of the system whose principal features we have sketched out will sparkle before your eyes, in spite of the gaps in our presentation, and we will consider ourselves to be sufficiently compensated for our troubles if we manage to recruit some more proselytes to the cause to which we have devoted our life, and whose *Credo* can be summarised in these words: *Liberty and Peace*.

[Source:]¹¹

When he was about 50 years old (the late 1860s) he decided to give up teaching and agitating for reform in Brussels, return to Paris and take up journalism again. It is not clear why he did this - perhaps it was the death of his wife, perhaps his attempts to set up a labour exchange in Brussels had reached a dead end, perhaps he saw some new opportunities for a liberal journalist like him now that Napoléon III was liberalising his regime after nearly two decades of tight control, or perhaps

¹¹ source

he had given up his hopes of making an impression within academia. We do not know his reasons. He returned to Paris on the eve of yet another violent revolution, that of the Paris Commune of 1871, with its attendant socialist groups agitating for reforms, which he witnessed first hand and wrote about. But, that is another story.

THE “RADICAL LIBERAL MOMENT” IN PARIS IN THE LATE 1840S: FRÉDÉRIC BASTIAT, CHARLES COQUELIN, AND GUSTAVE DE MOLINARI

These were very important, formative years in the development of Molinari's thought in particular, but also for French classical liberalism in general. With the moral and financial support of the Guillaumin publishing firm political economy had thrived in Paris during the 1840s and Molinari had played an increasingly important role in that movement. Gilbert-Urbain Guillaumin (1801-1864) and his supporters (Horace Say, Casimir Cheuvreux, and the Duc d' Harcourt) founded the Political Economy Society in 1842 which held monthly meetings, the *Journal des Économistes* in 1841 which appeared monthly and provided a forum for discussion of economic ideas, and the book publishing wing of Guillaumin which published the monographs written by the economists but also undertook expensive projects such as encyclopedias and dictionaries of commerce and economics, and large scholarly collections of classics of economic thought. The audience “le réseau Guillaumin” (the Guillaumin network)¹² reached were the intellectual and political élites (what Bastiat referred to as “la classe électorale”, the small minority of tax payers who were allowed to vote under the July Monarchy of Louis Philippe) who ruled France with the intention of trying to influence their thinking in a more liberal and free market direction in the hope that this would influence government policy. As there were only two or three chairs of political economy in France at that time (the prestigious *Collège de France* (Michel Chevalier held this chair from 1841), the *Conservatoire national des arts et métiers*, and the engineering school the *École des*

¹² A term used by Minart, p. 56.

Ponts et Chaussées (which only began teaching economics in 1846)),¹³ the opportunities for academic work within the state universities were very limited. This forced the French political economists to work outside the university system such as lecturing at the private *Athénée royal de Paris*, writing for the quality journals (such as the *Journal des Débats* and the *Revue des Deux mondes*), writing books for a more general market of readers, or getting appointed to the non-teaching *Academy of Moral and Political Sciences*.¹⁴

The second half of the 1840s was a special period in the history of libertarianism, even a “classical liberal moment” (to adapt Pocock’s idea of the “Machiavellian moment”),¹⁵ with the appearance of a trilogy of works which took liberal theory into radically new directions. These were Charles Coquelin (1802-1852) with his work on free banking,¹⁶ Frédéric Bastiat (1801-1850) with his work on subjective value theory and the theory of human action (“Crusoe

¹³ Martin S. Staum, “French lecturers in political economy, 1815-1848: Varieties of liberalism,” *History of Political Economy*, Spring 1998, 30, 1, pp. 95-120.

¹⁴ The Académie des sciences morales et politiques (the Academy of Moral and Political Sciences) is one of the 5 academies of the Institute of France. It was founded in 1795 to promote the study of the humanities, was shut down by Napoleon in 1803, and revived by François Guizot in 1832. There are 50 members of the Academy who are elected by their peers. There are also additional “corresponding” members. Bastiat was elected a Corresponding Member (section on Political Economy) on 24 Jan. 1846. Molinari was made a Corresponding Member in 1874. In 1832 there were 5 sections: philosophy, moral science, law and jurisprudence, political economy, and history. Many of the Economists and other classical liberals were members of the Academy, such as the following (with the year they were elected): Charles Dunoyer (1832); Joseph Droz (1832); Charles Comte (1832); Pellegrino Rossi (1836); Alexis de Tocqueville (1838); Hippolyte Passy (1838); Adolphe Blanqui (1838); Gustave de Beaumont (1841); Léon Faucher (1849); Louis Reybaud (1850); Michel Chevalier (1851); Louis Wolowski (1855); Horace Say (1857); Augustin-Charles Renouard (1861); Henri Baudrillart (1866); Joseph Garnier (1873); Frédéric Passy (1877); Léon Say (1881). See, the Academy of Moral and Political Sciences website <<http://www.asmp.fr/sommaire.htm>>.

¹⁵ J.G.A. Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* (Princeton University Press, 1975), “Introduction,” pp. vii-ix.

¹⁶ Charles Coquelin, *Du Crédit et des Banques* (Paris: Guillaumin, 1848, 1st edition). On Coquelin: Philippe Nataf, “La vie et l’oeuvre de Charles Coquelin (1802-1852),” in *Histoire du libéralisme en Europe*, eds. Philippe Nemo and Jean Petitot (Paris: Presses Universitaires de France, 2006), pp.511-30.

economics”),¹⁷ and Molinari’s work on the privatisation of all public goods, in particular the competitive provision of police and defence services (“the production of security”).¹⁸

These same three innovative theorists were also friends and colleagues¹⁹ and shared a willingness to become involved in “activism”, that is an attempt to put into practice their theoretical ideas by taking them “to the street”. The first example of this came in July 1846 with the formation of the French Free Trade Association all three of whom were involved in its leadership (as “secretaries), authors of articles for its newspaper *Le Libre-Échange*,²⁰ and speakers at its large public meetings. The second example comes from the first month or so of the Revolution in February 1848 when they started a popular newspaper, *La République française*, the day after the revolution broke out and the government collapsed.²¹ They wrote for the paper in an attempt to persuade ordinary people not to be swayed by the promises of the socialists who were part of the Provisional Government and had seized control of the Luxembourg Palace to set up the National Workshops program under Louis

¹⁷ David M. Hart, “Reassessing Frédéric Bastiat as an Economic Theorist”. A paper presented to the Free Market Institute, Texas Tech University, Lubbock, TX, October 2, 2015. <http://davidmhart.com/liberty/Papers/DMH_Bastiat-EconomicTheorist21Sept2015.html>. And David M. Hart, “The Economics of Robinson Crusoe from Defoe to Rothbard by way of Bastiat”. A Paper given at the Association of Private Enterprise Education, International Conference (April 12–14, 2015). <davidmhart.com/liberty/Papers/Bastiat/DMH_CrusoeEconomics.html>.

¹⁸ Gustave de Molinari, “De la production de la sécurité,” *JDE*, T. 22, no. 95, 15 February 1849, pp. 277-90. Translated as Gustave de Molinari, *The Production of Security*, trans. J. Huston McCulloch, Occasional Papers Series #2 (Richard M. Ebeling, Editor), New York: The Center for Libertarian Studies, May 1977. On Molinari: David M. Hart, “Gustave de Molinari and the Anti-statist Liberal Tradition” *Journal of Libertarian Studies*, in three parts, (Summer 1981), V, no. 3: 263-290; (Fall 1981), V, no. 4: 399-434; (Winter 1982), VI, no. 1: 83-104. S11 was translated as an Appendix to both: Thesis, pp. 120-47; article Part III, pp. 88-102.

¹⁹ Although Frédéric Bastiat (1801-1850) and Charles Coquelin (1802-52) were from an older cohort born just after the turn of the century they were close friends and colleagues with the much younger Gustave de Molinari (1819-1912) who was 18 years their younger.

²⁰ A facsimile of the magazine can be found online at David Hart’s personal website: <<http://davidmhart.com/liberty/FrenchClassicalLiberals/Bastiat/LibreEchange/index.html>>.

²¹ A facsimile of the magazine can be found online at David Hart’s personal website: <<http://davidmhart.com/liberty/FrenchClassicalLiberals/Bastiat/RepubliqueFrancaise1848/index.html>>.

Blanc. We know from his correspondence that at least Bastiat (although I suspect the younger Molinari as well, though I am not sure about the older Coquelin) was on the streets handing out their newspaper where they witnessed violence first hand.²² The third example comes from March 1848 when they set up a political club, *Le Club de la liberté du travail* (The Club for the Freedom of Working), one of the hundreds of clubs which sprang up in Paris after the enforcement of the strict censorship laws and bans on political associations collapsed. Their idea was to confront the socialists directly in public debate before large audiences. Coquelin in particular was a gifted public speaker, and Bastiat was clever and witty with his ability to combine references to classic French literature to illustrate economic ideas. The Club lasted only a few weeks before they were forced to close because of the intimidation and violence they faced from what Molinari describes as “a band of communist thugs”. Later, Molinari regretted the fact that the economists had been too meek in the face of socialist violence and had not stood up to them.²³

After this phase of free trade and anti-socialist activism came to an end in April 1848 the three temporarily turned to other activities - Coquelin and Molinari returned to more scholarly activities, whilst Bastiat got elected to the Constituent Assembly in April and worked to oppose the socialist policies of the new government from within the Chamber's Finance Committee, of which he was the elected Vice-President. The three men had a second round of revolutionary street activism in June 1848 when they started a another newspaper, *Jacques Bonhomme* (Jack Everyman), which was designed to appeal to ordinary workers on the streets.²⁴

²² Bastiat's correspondence can be found in CW1 (2012). See 93. Letter to Marie-Julienne Badbedat (Mme Marsan), 27 February 1848 </titles/2393#lf1573-01_head_119>.

²³ Molinari, Obituary of Joseph Garnier, JDE, Sér. 4, T. 16, No. 46, October 1881, pp. 5-13. Molinari tells a similar story in his obituary of Coquelin with the added detail that the economists chose not to fight back and so let the communists win by not throwing a single punch to defend themselves: Molinari, “[Nécr.] Charles Coquelin,” JDE, N(os) 137 et 138. Septembre et Octobre 1852, pp. 167-76. See p. 172.

²⁴ A facsimile of the magazine can be found online at David Hart's personal website: <<http://davidmhart.com/liberty/FrenchClassicalLiberals/Molinari/JB/index.html>>. The Institute Coppet has republished the journal: *Jacques Bonhomme : L'éphémère journal de F. Bastiat et G. de Molinari*, ed. Benoît Malbranque (Paris: Institut Coppet, 2014). <<http://editions.institutcoppet.org/produit/jacques-bonhomme-lephemere-journal-de-f-bastiat-et-g-de-molinari/>>.

It lasted for only 4 issues before it was forced to close as a result of the use of troops to put down the riots of the June Days resulting in the deaths of 1,500 and the arrest of thousands. Again, we know from Bastiat's correspondence that he got caught in the crossfire (the army used artillery to destroy the street barricades), witnessed the deaths of several protesters, and tried to organise a cease fire so the injured could be removed from the street barricade.²⁵

Following this second bout of street activism they finally gave up and returned to more intellectual pursuits. Bastiat continued working within the Chamber giving speeches on abolishing the tax on alcohol and salt, balancing the budget, lifting the ban on the formation of trade unions, cutting the size of the armed forces and their budget, and reforming the post office (which imposed a hefty tax on carrying letters).²⁶ He also wrote a series of over a dozen lengthy pamphlets opposing socialist and interventionist ideas, worked on completing his treatise on economics, the *Economic Harmonies*, and his last work *What is Seen and What is Not Seen* (July 1850) with the famous chapter on "The Broken Window." He died on Christmas eve 1850 before he had finished his magnum opus.

Coquelin worked as the editor (with the considerable assistance of Molinari who might be regarded as the sub-editor) of a new and very large project undertaken by Guillaumin in 1849 to produce a veritable "encyclopedia of political economy" along the lines of Diderot's *Encyclopédie* of the 18th century, called the *Dictionnaire de l'Économie politique* (1852-53).²⁷ Guillaumin and Coquelin wanted to codify political economy in a format that would make its ideas more "user-friendly" to the politicians and bureaucrats who ran the French state, as well as to the intellectuals who wrote for the serious periodical press. They planned a collection of hundreds of articles on key aspects of economic theory, biographies of key

²⁵ Bastiat's correspondence can be found in CW1 (2012). See 104. Letter to Julie Marsan (Mme Affre), Paris, 29 June 1848 </titles/2393#lf1573-01_label_402>.

²⁶ Bastiat's speeches and voting record in the National Assembly are discussed in an Appendix in CW3 (forthcoming) "Bastiat's Activities in the National Assembly (1848-1850)."

²⁷ *Dictionnaire de l'économie politique, contenant l'exposition des principes de la science, l'opinion des écrivains qui ont le plus contribué à sa fondation et à ses progrès, la bibliographie générale de l'économie politique par noms d'auteurs et par ordre de matières, avec des notices biographiques et une appréciation raisonnée des principaux ouvrages, publié sur la direction de MM Charles Coquelin et Guillaumin.* Paris: Librairie de Guillaumin et Cie., 1852-53. 2 vols.

economic thinkers and economic reformers, and extensive annotated bibliographies to encourage further reading. The result was a two volume, 1,854 page, double-columned encyclopedia of political economy which was published in 1852-53. It is unquestionably one of the most important publishing events in the history of mid-century French classical liberal thought and is unequalled in its scope and comprehensiveness. Coquelin wrote 70 major articles and Molinari wrote 24 principle articles (most notably the important articles on “Free Trade”, “Tariffs”, and “Slavery”) and 5 biographical articles. Bastiat had been expected to play an important role in this project as well but his early death prevented his full participation. However, the editor Coquelin took Bastiat’s seminal 1848 essay on “The State” and his 1850 essay on “The Law” and adapted them for the key articles on the State and the Law in the DEP, so great was Bastiat’s reputation among the economists. Unfortunately, but perhaps not surprisingly given the frantic pace and heavy workload, Coquelin dropped dead from a heart attack in August 1852 before he had finished work on volume 2.

In addition to his work on the DEP, Molinari continued to write many articles for the JDE as well as working on his own more popular book on political economy which became *Les Soirées* (published Sept. 1849).²⁸ The brutal crushing of the socialist movement in the streets of Paris during the period of martial law (June to October 1848) and over the following months did not mean an end to the threat of socialism as an idea. This idea lived on in the interventionist ideas of the protectionists, the bureaucrats and politicians who were powerful within Louis Napoléon’s government, and the intellectuals and academics in general. Molinari was spurred into writing his own rebuttal of their ideas as a result of two things. In early 1849 when the Guillaumin group were searching for a new strategy after the political defeat of the more radical socialists over the summer and fall of 1848 and the election of Louis Napoleon as President of the Second Republic in November 1848, Molinari reviewed the conservative politician and stalwart of the previous July Monarchy, Adolphe Thiers’ defence of property in the book *De la propriété*

²⁸ Gustave de Molinari, *Les Soirées de la rue Saint-Lazare; entretiens sur les lois économiques et défense de la propriété* (Paris: Guillaumin, 1849).

(1848) in the JDE (Jan. 1849).²⁹ He was appalled at how badly Thiers defended the idea of the right to property in the face of the serious criticism socialists had been levelling against it throughout the 1840s and during the revolution of 1848. Although he agreed with many of his arguments about the benefits of private property in general he sided with the socialists in their argument that the current distribution of property was an unjust one and thus could not and should not be defended. The distribution of property which was the result of government privileges, monopolies, subsidies, and other favours was unjust, harmed the poor, and hampered further economic development. The only way to challenge the socialists effectively was to provide a better theoretical defence of the right to property (Molinari, like Bastiat, based it upon natural law and a version of the Lockean principle of first use, or its creation by means of physical or mental labour) and to begin removing the distortions in the current distribution of ownership by ending all government privileges and benefits. This approach explains the subtitle of Molinari's book: "Discussions on Economic Laws and the Defence of Property."

The second spur to action was his discovery of the work of Harriet Martineau, whose nine volume work of popularisation, *Illustrations of Political Economy* (1832), had been translated into French in 1834.³⁰ Molinari came across it somehow in 1849 and reviewed it in April for the JDE.³¹ Her method of using "familiar conversations" between ordinary people, one of whom was very knowledgeable about free market economic ideas, and others who were not, appealed to Molinari. He knew of course of Bastiat's brilliant "economic sophisms" which had also used dialog and conversations between stock characters but these had been quite short and not consistently used over an entire book as Martineau had done. I think his goal in mid-1849 was to write a book-length series of conversations responding to the main criticisms of the free market by both conservatives (like Thiers) and socialists (like Louis Blanc), in the style of Martineau but using the more

²⁹ Adolphe Thiers, *De la propriété* (Paris: Paulin, Lheureux et Cie, 1848). And Molinari's review of it: [CR] Thiers "De la propriété", JDE, T. 22, N° 94. 15 janvier 1849, pp. 162-77.

³⁰ Martineau, Harriet *Illustrations of Political Economy* (3rd ed) in 9 vols. (London: Charles Fox, 1832). <<http://oll.libertyfund.org/title/1873>>. Harriet Martineau, *Contes de Miss Harriet Martineau sur l'économie politique*, trans. Barthélémy Maurice (Paris: G. Vervloet, 1834).

³¹ Molinari, [CR] "Contes sur l'économie politique, par miss Harriet Martineau," JDE, T. 23, N° 97, 15 avril 1849, pp. 77-82.

sophisticated theoretical insights which he and Bastiat had developed. He succeeded in doing that but the major flaw of his work was that he lacked the rhetorical and literary brilliance of Bastiat which made his work in popularisation of economic ideas perhaps the best of its kind. Nevertheless he would return twice more to this format in order to popularise economic ideas (equally unsuccessfully one might add), once in 1855 when he was teaching in Brussels³² and again in 1886 when he was back in Paris editing the *Journal des Économistes*.³³

A final point to be made about this extraordinary period in the development of French classical liberal and economic thought is that while Bastiat and Molinari were participating in “activism” on the street with the French Free Trade Association (FFTA) and their revolutionary journalism in February and June 1848, as well as their works as journalists and popularisers of economic ideas, they were also working on theoretical treatises at the same time. Both men had been offered the opportunity to give lectures to students in late 1847. Not much is known about how they came to do this aside from scattered remarks in Bastiat’s correspondence and in *Libre-Échange*, the weekly journal of the FFTA. It is quite possible that Guillaumin arranged for financial support for these lectures from his usual donors and benefactors Horace Say and Casimir Cheuvreux. Bastiat began lecturing to students at the Paris School of Law in July (using his book on *Economic Sophisms* as the text book) and Molinari began a bit later in the summer or early fall at the *Athénée royal de Paris*. Their lectures only lasted a few months before the February Revolution forced them to be cancelled. However, Bastiat’s lecture notes were

³² Gustave de Molinari, *Conservations familières sur le commerce des grains* (Paris: Guillaumin, 1855).

Here there is a three-way conversation between a Rioter, a Prohibitionist or Protectionist, and an Economist which takes place in the immediate aftermath of food riots and window smashing of suspected food hoarders which had taken place in Belgium in September 1854.

³³ Gustave de Molinari, *Conversations sur le commerce des grains et la protection de l'agriculture* (Nouvelle édition) (Paris: Guillaumin, 1886). Thirty years later Molinari reissued his 1855 conversation, which is now entitled “Part One: A Time of Shortage”, with an additional part added to it called “Part Two. Thirty Years Later: A Time of Plenty”. The conversations are no longer described as “familiar” and take place between an Economist, a Protectionist, and a Collectivist.

eventually turned into *Economic Harmonies*.³⁴ Molinari was able to resume his lectures at the *Musée royale de l'industrie belge* where he got a position after he left Paris at the end of 1851. His lecture notes became the *Cours d'économie politique* (1855).³⁵

In the rest of this paper I want to examine some of the highly original and important ideas Molinari developed during this first period of his life as an economist and which he continued to work on later in his very long life.

NOTA BENE: PARTS OF THE STORY NOT TOLD HERE

There are several parts to the story of this “Radical Liberal Moment” which cannot be told here for reasons of space but which I have explored elsewhere. These include:

- the “networks for liberty” - Molinari and Bastiat were members of about 8 separate but interlocking “networks” of activists and theorists in the late 1840s who were agitating for liberal reforms. They included (in rough chronological order):
 - Hippolyte Castille’s network of friends who participated in his soirées at his home on the rue Saint-Lazare (1844-1848), wrote for or read the magazine he and Molinari worked for, *Le Courrier français*, and the magazine about intellectual property rights *Le Travail intellectuel*;

³⁴ The first edition consisted of 10 chapters and was completed at the end of 1849 and appeared in print in early 1850. A second, expanded edition was published posthumously in mid-1851 by his friends Paillottet and Fontenay and consisted on an additional 15 chapters in various states of completion. Frédéric Bastiat, *Harmonies économiques. Par M. Fr. Bastiat. Membre correspondant de l'Institut, Représentant du Peuple à l'Assemblée Législative*. (Paris: Guillaumin, 1850). And Frédéric Bastiat, *Harmonies économiques. 2me édition. Augmentée des manuscrits laissés par l'auteur. Publiée par la Société des amis de Bastiat* (Paris: Guillaumin, 1851). An expanded edition of 25 chapters edited by Prosper Paillottet and Roger de Fontenay.

³⁵ Gustave de Molinari, *Cours d'économie politique, professé au Musée royal de l'industrie belge*, 2 vols. (Bruxelles: Librairie polytechnique d'Aug. Decq, 1855). 2nd revised and enlarged edition (Bruxelles et Leipzig: A Lacroix, Ver Broeckoven; Paris: Guillaumin, 1863). Online version: <<http://oll.libertyfund.org/titles/1829>>.

- the *Academy of Moral and Political Sciences* (Political Economy section) the membership of which included many prominent classical liberals and economists. The key figure in the group was Charles Dunoyer, Bastiat was elected as a “corresponding member” in January 1846 and Molinari much later in 1874
- Frédéric Bastiat’s free trade network within the French Free Trade Association (1846-1848);
- the Guillaumin publishing network which included the *Journal des économistes*, the *Société d’Économie politique*, and the *Dictionnaire de l’économie politique* (1835-1852); Minert calls this key group “le réseau Guillaumin” (the Guillaumin network)
- the group of friends (Coquelin, Bastiat, and Molinari, among others) who started two small revolutionary magazines which were handed out on the streets of Paris in February and June 1848 - *La République française* and *Jacques Bonhomme* respectively.
- Coquelin’s and Fonteyraud’s network of debaters and public speakers in the *Club de la liberté du travail* (Club Lib) in March 1848; and
- Garnier’s Friends of Peace peace network (1848-50) who were active in organizing a Peace Conference in Paris in 1849.
- the private salons run by the wives of two leading figures in the circle of the economists, Madame Hortense Cheuvreux (wife of the manufacturer Casimir Cheuvreux) and Anne Say (née Cheuvreux) (the wife of the businessman and son of Jean-Baptiste Say, Horace Say). Both men raised money to fund activities of the economists
- the “Seven Musketeers” of the Parisian Economists where I expand on Minart’s fruitful idea of describing the small group of innovative economists who were active in Paris in the mid- and late-1840s as “The Four Musketeers” (inspired by the fact that Bastiat came from Gascony and Dumas’ novel was serialised in the press when Bastiat first arrived in Paris). I think there were in fact 7 key individuals who came to Paris from the provinces and turned the world of the Paris economists upside down with their hard work and innovative ideas. Also, they consisted of two generations with Bastiat being the link between the two. This association makes a very interesting sociological study of how “outsiders” can bring original ideas to a major city where there is scope for much innovative thinking. Examples include Paris in the 1840s, Vienna in the 1870s and 1880s, and New York City in the 1930s and 1940s.

- Bastiat and Molinari as revolutionary “street journalists” in February and June 1848 taking free market ideas to the people on the streets of Paris until violence in the streets forced them to withdraw
- a history of attempts to popularise economic ideas showing the brilliance of Bastiat in his “Economic Sophisms” and the relative failure of Molinari in his “Conversations”

2. The Intellectual and Political Challenges facing French Classical Liberalism in the 1840s: Protectionism, Socialism, and the Bureaucratic State

AN OVERVIEW OF THE FRENCH STATE AND ITS POLICIES DURING THE 1840S

Opening quote: “the government is a veritable monster”

Or qu’est-ce qu’un gouvernement sinon une vaste entreprise, exerçant des industries et des fonctions multiples et disparates? Au point de vue des lois de l’unité des opérations et de la division du travail, un gouvernement qui entreprend la production de la sécurité et de l’enseignement, le transport des lettres et des dépêches télégraphiques, la construction et l’exploitation des chemins de fer, la fabrication des monnaies, etc., n’est-il pas un véritable monstre?

Now what is the government if not a huge enterprise which carries out multiple and disparate industries and functions? From the perspective of the laws of the unity of operations and the division of labour, isn’t a government which undertakes the production of security and of education, the carrying of letters and telegrams, the construction and operation of the railways, the minting of money, etc. a veritable monster?

[Source:]³⁶

When Gustave de Molinari arrived in Paris from his native Liège (then part of the Kingdom of Belgium but it had been part of greater France when he was born) just after 1840 France was firmly under the control of the 67 year old King Louis Philippe of the Orléanist branch of the Bourbon royal family. Louis Philippe had come to power in a revolution in July 1830 which overthrew the dictatorial Bourbon King Charles X (his cousin) with promises that his regime would be a more liberal and constitutional one than that which had gone before. This proved

³⁶ *Cours*, vol. 2, p. 760-61.

to be a false hope as Louis Philippe refused to allow any democratic reform of the franchise (as was taking place in England with the Reform Act of 1832), liberalisation of the strict press laws (journals and newspapers had to be approved by the censors and caution money paid in advance to cover any later infringement, and theatres were strictly limited in what plays they were able to put on),³⁷ liberalisation of the laws banning the creation of unions or political associations, tariff reform (the alliance between the large landowners and the growing manufacturing class established in 1822 under the previous regime remained in place), reform of the tax system which depended heavily on tariffs and indirect taxes which weighed heavily on the poorer groups within French society (such as salt and alcohol), any cuts to the size of and cost of the military (conscription took nearly 80,000 young men every year and one third of the annual budget was spent on the military or servicing the high national debt which was a result of previous wars),³⁸ or any liberalisation of the highly regulated French economy which in typical “dirigiste” fashion controlled everything from the movement of labour (the labour work books, the “livret d’ouvrier”, which had to be shown upon demand by the police), to starting a business, to regulating the legalised prostitution industry with regular medical inspections.

Also lying just under the surface was the ever present concern that a crop failure would lead to rising food prices and the riots which this would inevitably provoke among the poor and working classes (as in fact happened with the poor harvests of 1846-47 in France, not to mention the famine in Ireland which began in 1845). This was partly the result of the very restrictive trade policies for foodstuffs which had been reintroduced with the return of the monarchy in 1815. Food prices were controlled, transport of food within France was highly regulated

³⁷ Molinari was very interested in the theatre and wrote on them for the JDE. It wanted to see them completely deregulated and cut off from any state subsidisation.

³⁸ According to the French government’s budget papers for 1848-49, 384 million fr. out of a total expenditure of 1,426 million fr. was spent on servicing the public debt (27%); the next biggest item was 322 million (for the Army (23%) and 139 million for the Navy and Colonies (10%), for a total expenditure of 461 million fr. on the armed forces (33%). See, M. de Colmont, “Philosophie de budget,” pp. 76- 109 and “Budget rectifiée de l’exercice 1848,” pp. 110-20 in *Annuaire de l’économie politique et de la statistique pour 1849, par MM. Joseph Garnier et Guillaumin* (Paris: Guillaumin, 1849); “Budget de 1848,” pp. 29-51 in *Annuaire de l’économie politique et de la statistique pour 1848, par MM. Joseph Garnier et Guillaumin* (Paris: Guillaumin, 1848).

with the country divided into numerous zones each with their own grain warehouses controlled by local government officials to ward off any hint of “speculation”. There was no free trade within France let alone free trade with grain growing regions outside the country (such as the booming grain trade out of Odessa in Russia). Furthermore, the inheritance laws created by the Revolution meant that small-scale landownership, which had become widespread in France as a result of the Revolution, required that a father divide the inheritance equally among the sons, thus leading to “morcellement” of the land, i.e. the gradual creation of smaller and increasingly economically unviable blocks of farm land which were too small to take advantage of economies of scale or to be used as collateral for loans to invest in new crops and farming techniques. Thus the French government was strangling the most important sector of the economy, farming, from two directions at once: trade restrictions and bureaucratic (one size fits all) inheritance laws.

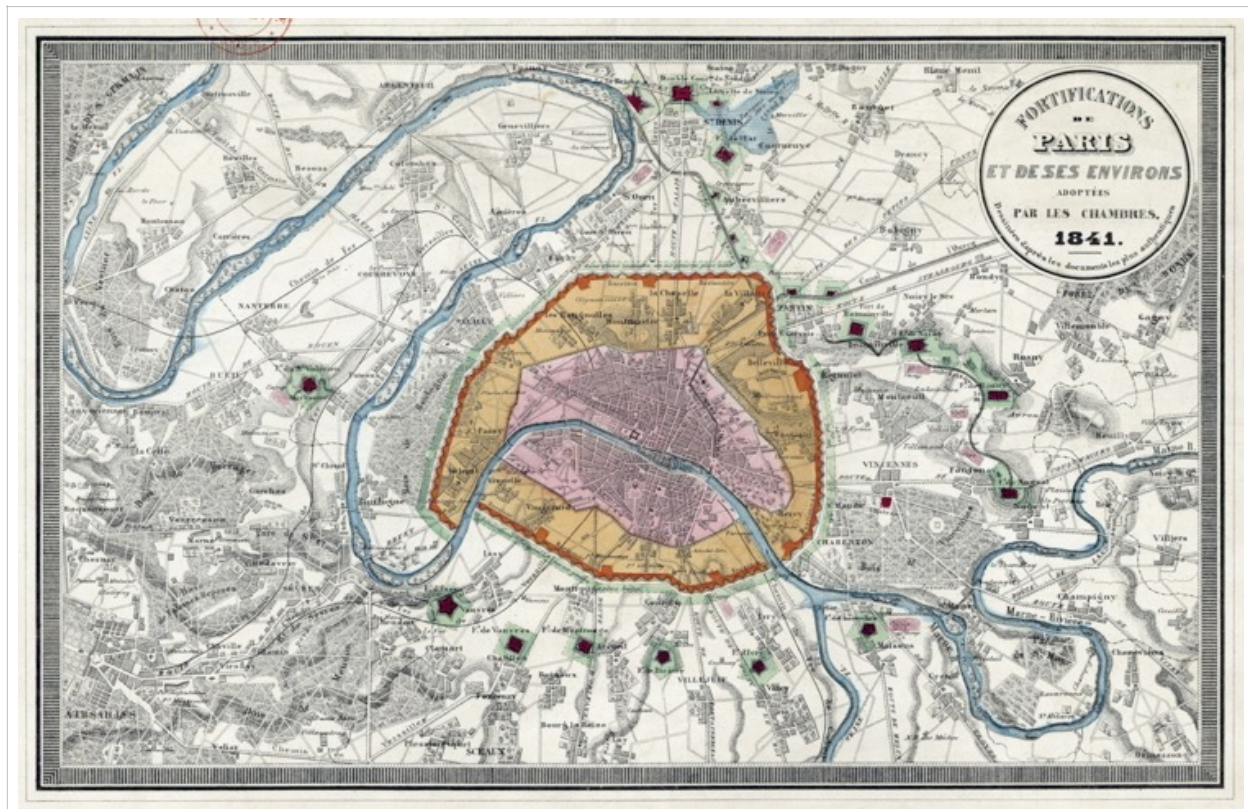
THE “EMBASTILLEMENT” (BASTILLE-ISATION) OF PARIS

Something further should be mentioned about Louis Philippe’s government’s large-scale and high cost public works projects which added further burdens on the French economy, especially the taxpayers. Investment in infrastructure was a part of the accepted duties of the state. As industrialisation began to pick up in the 1830s and 1840s the French state spent heavily in canal building initially and then in the construction of the railways.³⁹ A government plan was drawn up and approved in 1842 to regulate the building of 5 massive railway lines (and their associated railway stations) which would radiate out from Paris to serve the needs of the provinces. The state partnered with companies which were granted concessions to operate the lines with the state building the tunnels, bridges, and the stations, and railway companies laying the track and owning the carriages. The state set the charges the private railway companies could charge. The chance to get potentially lucrative government concessions led to several speculative booms in

³⁹ The budget for Public Works in 1848 was 111million fr. or 8% of total expenditure.

railways stocks on the Paris stock exchange and eventually the government was “forced” to take control and rationalise the railway companies.

Illustration: The Fortifications of Paris (1841)



“The Fortifications of Paris and its Environs as adopted by the Chambers” (1841)

The pink area is the old part of the city which is surrounded by a customs wall with entry gates which was built in the 1780s to help the Farmers General collect taxes. The orange area is enclosed by a new wall of fortifications which surrounded the city and was built between 1841-44 and had a circumference of ?? miles/km. The outer ring of red and green shapes are a series of 14 stand-alone forts and barracks which also surrounded the city.

Another very large public works program was the brain child of the Prime Minister Adolphe Thiers who persuaded the King and his cabinet to undertake a massive program to surround Paris with fortifications to prevent any foreign occupation of the city as had happened in 1815 when the British, Austrians,

Prussians, and Russians took control after the fall of Napoléon I.⁴⁰ The plan, at a cost of 140 million francs, was to build a 33 km (20.6 miles) wall encircling the city with a deep ditch and embankment on the outside with land cleared for two hundred metres (the glacis) provide a good line of fire for the army. Considerable privately owned land had to be resumed by the State in order to clear the land and build the wall and the access roads. The wall was made of masonry 3.5 metres thick and 10 metres high and contained 95 multi-directional firing points (bastions) at regular intervals, 17 gates, 23 barriers, 8 entry points for trains, and 5 entry points for ships on canals and the river. There would also be an outer ring of 16 free standing forts to complete the defensive perimeter around the city. The construction began in 1841 and was completed on schedule in 1844 with much of the labour being done by young army conscripts. When they had finished, Paris was surrounded by three concentric walls which had been built by the state: an inner wall surrounding the old part of the city, the octroi customs wall, built in the 1780s to make tax collection easier for the private tax collecting agency known as the Farmers General; the new “Thiers wall” which stretched for 33 km (20.6 miles) in circumference (only slightly less than the I-465 freeway which rings Indianapolis today);⁴¹ and the third ring of 16 free-standing forts. Critics at the time, including some generals, argued that this project was pointless and would be made redundant by technological innovations. Others, like the astronomer and liberal François Arago,⁴² argued that the 40,000 or so soldiers in and around the city were just as well placed to suppress any uprising which might occur within as they were to prevent any foreign invaders entering from without - thus creating what they

⁴⁰ Patricia O'Brien, “L'Embastillement de Paris: The Fortification of Paris during the July Monarchy,” *French Historical Studies*, Vol. 9, No. 1 (Spring, 1975), pp. 63-82.

⁴¹ To get feeling for its size, one should note that the I-465 freeway which encircles the city of Indianapolis is 85 km or 53 miles long.

⁴² François Arago (1786-1853) was the eldest of four successful brothers, Jean Arago (1788-1836) a General who saw service in Mexico, Jacques Arago (1790-1855) a writer and explorer, and Étienne Arago (1802-1892) who was a playwright and republican politician (who attended a Benedictine school in Sorèze at the same time Bastiat was there). François was a famous astronomer and physicist and in 1812 became a professor of analytical geometry at the l'École polytechnique. François was also active in republican politics during the July Monarchy where he was an elected Deputy for its entire duration. After the outbreak of the Revolution in February 1848 became Minister of War, the Navy and Colonies and played an important role in the abolition of slavery in the French colonies.

believed was the “embastillement de Paris” (Bastille-isation of Paris).⁴³ Economists like Michel Chevalier⁴⁴ was appalled at how much time and labour was expended on its construction by conscript labour.⁴⁵ As it turned out, troops were used to bloodily repress rioters in February and June 1848 and martial law was declared between June and October 1848 thus dramatically proving Arago’s point. The ultimate economic waste of these projects was realised in 1859 when Emperor Napoleon III began his rebuilding of Paris under Baron Hausmann and the inner ring of octroi walls and gates were torn down. The Thiers’ wall lasted until the 1920s when it was largely torn down as well leaving only a few sections as reminders. Most of the state-owned land where the wall used to stand was later used for “le boulevard périphérique de Paris” (the Paris ring round) which is the 35 km freeway which now encircles Paris.

THE GROWING RESISTANCE TO THE FRENCH STATE

Resistance to these controls, restrictions, and extravagant spending on public works came from within the Chamber of Deputies by a small group of liberal-minded politicians like the poet Alphonse Lamartine and Alexis de Tocqueville, and increasingly from outside the electoral system by the growing democratic and socialist movements which came to a head in late 1847 and led directly to the

⁴³ François Arago, *Sur les Fortifications de Paris* (Paris: Bachelier, 1841); and *Études sur les fortifications de Paris, considérées politiquement et militairement* (Paris: Pagnerre, 1845).

⁴⁴ Michel Chevalier (1806-87) was a liberal economist and alumnus of the École polytechnique and a Minister under Napoleon III. He was appointed to the chair of political economy at the Collège de France in 1840 and became a senator in 1860. He was an admirer of Bastiat and Cobden and played a decisive role in the free trade treaty signed between France and England in 1860 (Chevalier was the signatory for France, while Cobden was the signatory for England). His dismissal from his teaching post during the 1848 Revolution was strongly resisted by the Political Economy Society which was able to eventually get him reinstated.

⁴⁵ Miche Chevalier, *Les fortifications de Paris, lettre à M. Le Comte Molé* (Paris: Charles Gosselin, 1841). And *Cours d’Économie politique fait au Collège de France par Michel Chevalier*. (Bruxelles: Meline, Cans, 1851). Vol. 2, “Douzième leçon. Concours de l’armée française aux travaux des fortifications de Paris,” pp. 183-96. First ed. 1844.

collapse of the government in February 1848. Also, the French state had to contend with the growing problem of enforcing all its restrictive laws in the face of widespread smuggling (especially of tobacco and salt), rising rates of “draft dodging” and the spread of socialist and republican ideas among the ranks of the army, a growing underground socialist and democratic press, an organised free trade movement trying to replicate in France the success of Cobden’s Anti-Corn Law League in England, a growing and increasingly organised labour movement which now and again would break out into violence (as did textile workers in Lyons in 1834), and the nation-wide “political banquet” movement of 1847 which got around the ban on political meetings by organising vast outdoor “banquets” where “toasts” (which were legal) were given instead of political speeches (which were strictly banned). The police were often forced to make an on-the-spot decision whether what was being given was a long political toast or a short political speech. It was a protest march through the streets of Paris in February against a banned political banquet (interestingly planned to be held on George Washington’s birthday on 22 February!) which was the trigger for the collapse of the government, the abdication of King Louis Philippe, and Lamartine declaring the formation of the Second Republic and a Provisional Government.

Molinari’s book *Les Soirées* was written during the summer of 1849 when a number of important intellectual and political battles were raging in France. The longest standing battle had been against the protectionist régime which had emerged under Napoléon Bonaparte and continued almost untouched during the Restoration and the July Monarchy. The second battle emerged during the 1840s when socialists like Proudhon and Louis Blanc launched a number of attacks against the very notion of private property and the financial rewards which were so crucial to the functioning of the free market economy, namely profit, interest, and rent. The third emerged during the early months of the Second Republic when a number of socialist politicians launched the National Workshops in order to provide assistance and jobs to the poor and unemployed of Paris. This began a new campaign for “the right to work” which only ended when the National Workshops collapsed in May and June of 1848. A fourth battle was only beginning to emerge during 1849-50 and would not take final shape until 2 years later. This was the rise to power of a strong president of the new republic, soon to be self-appointed as

another Emperor, who would attempt to centralize bureaucratic regulation of the French economy in his own hands. Molinari's book needs to be seen in the context of these four intellectual battles.

3. The Private Provision of Police and National Defence: the “Production of Security”

1. THE PRODUCTION OF SECURITY I

The Prehistory of an Idea

Today, if he is thought of at all, Molinari is best known for the essay on “The Production of Security” which was published in the *JDE* in February 1849.⁴⁶ It was rediscovered in the modern era by Murray Rothbard who circulated it among his circle in New York (called fittingly enough the “Cercle Bastiat” (Bastiat Circle) during the 1950s. Molinari’s ideas, especially the argument that insurance companies would have an economic interest in reducing crime against property and the costs of settling disputes, became central to Rothbard’s own theory of anarcho-capitalism which he was developing during the 1950s (when writing *Man, Economy, and State* (1962)) and the 1960s (when he was writing *Power and Market* (1970)).⁴⁷ A translation into English was done by J. Huston McCulloch for the Center for Libertarian Studies in 1977 which made Molinari’s work available to a broader English speaking audience for the first time.⁴⁸ What Molinari achieved in this short essay and the follow up chapter 11 in *Les Soirées* was a Kuhnian “paradigm shift” in thinking about the state and the provision of public goods. No one before him had argued using standard classical economic thinking and property rights theory that private firms operating in a free market could satisfy the strong need of consumers for protection and security services at an affordable price, while at the same time avoiding the problems inherent in any monopolized

⁴⁶ Gustave de Molinari, “De la production de la sécurité,” in *JDE*, T. 22, no. 95, 15 February, 1849), pp. 277-90.

⁴⁷ Murray N. Rothbard, *Man, Economy, and State: A Treatise on Economic Principles, with Power and Market: Government and the Economy. Second edition. Scholar’s Edition* (Auburn, Alabama: Ludwig von Mises Institute, 2009).

⁴⁸ Gustave de Molinari, *The Production of Security*, trans. J. Huston McCulloch, Occasional Papers Series #2 (Richard M. Ebeling, Editor), New York: The Center for Libertarian Studies, May 1977.

industry. In the past, the few political theorists who advocated a society without a state had little idea about how such a society would go about solving its problems, other than to piously assert that some kind of change would take place in the hearts of men which would cause violence against others to gradually disappear. Molinari's intellectual breakthrough was to argue that the structures and practices which had already evolved in the free market could be extended to solve these other problems and that no change in the nature of men was required for this to work effectively. He did, however, think that men would have to give up their false ideas about the benefits of using force against others to advance their interests.

We can see glimmers of Molinari's new way of thinking about this problem in an article in the *Courrier français* in 1846 and in his January 1849 review of Thiers' book on property in the JDE which suggests that he was already rethinking many of his basic ideas about property and natural law which was to play such an important role in *Les Soirées*.

The crux of the matter was his view that “la loi de la libre concurrence” (the law of free competition) was a natural law of political economy and thus had universal applicability and hence all areas of economic activity would benefit from being exposed to it. All forms of monopoly had deleterious consequences such as high prices, poor service, lack of innovation, and that it produced higher profits than normal to a small group of people who enjoyed the monopoly privilege at the expense of other consumers. Bastiat and Molinari also called these higher than normal profits “spoliation” (plunder) or in Molinari's case a form of political rent.⁴⁹ In “The Production of Security” Molinari provides an historical example of how the English Crown and the aristocracy created a monopoly in the use of violence (or in the “provision of security”) which Molinari thought had many features in common with a privileged feudal corporation. It is important to note that he uses modern commercial terms to describe the operation of the English state:

⁴⁹ See “Rethinking the Theory of Rent” in “*Further Aspects*.”

La race qui gouvernait le pays et qui se trouvait organisée en compagnie (la féodalité), ayant à sa tête un directeur héréditaire (le roi), et un Conseil d'administration également héréditaire (la Chambre des lords), fixait, à l'origine, au taux qu'il lui convenait de fixer, le prix de la sécurité dont elle avait le monopole.

The race of people who governed the country and who were organized as a company (feudalism), having at its head an hereditary director (the King), and an equally hereditary Administrative Council (the House of Lords), from the very beginning set the level of taxes which was convenient for them to pay, namely the price of the security of which they had a monopoly.

[Source:⁵⁰

The English Revolution forced the crown and the aristocracy to share this monopoly with the Commons who were able to exercise some power to limit taxes, or what he called the “price of security,” at least for a short period. The ability to control the exercise of coercion had enormous importance because from it flowed the power to create all the other kinds of monopolies which were common under the old regime, such as trading and manufacturing rights, access to certain professions, and so on.

A similar situation existed in the July Monarchy in France. In his essay on electoral reform published in July 1846⁵¹ Molinari argued that the 250,000 richest taxpayers (what Bastiat termed “la classe électorale”) who were allowed to vote exercised similar monopoly powers over the state as the English Crown and aristocracy did in the 17th century. They controlled the army and the police as well as the votes required to introduce tariff protection and subsidies for the industries from which they made their livelihoods. Molinari thought this was unfair because the vast bulk of the French taxpayers were excluded from any say in how much taxation could be imposed upon them or how this money would be spent. One of the arguments he used in arguing for an expansion of the franchise in France was the idea that the main reason for having a government in the first place was to provide all citizens with a guarantee of security of their persons and property. He likened the state to “une grande compagnie d'assurances mutuelles” (a large mutual

⁵⁰ Molinari, “De la Production de la sécurité,” Section VI, p. 283.

⁵¹ Molinari, “Le droit électorale” *Courrier français*, 23 juillet 1846. Reprinted in *Questions d'économie politique et de droit public* (1861), vol. 2, pp. 271-73.

assurance company),⁵² taxes to “charges de l’association” (membership dues),⁵³ and the taxpayers to “un actionnaire de la société” (a shareholder in the company).⁵⁴ There were two ways in which a state acting like a large insurance company might be run: the largest shareholders have a monopoly in running the state, as in France, or the right to vote by shareholders is “universalised and made uniform” as in the United States, which runs the risk of seeing the democratic masses imposing a higher tax burden on the wealthiest groups in society:

Sous l'empire d'un tel système (France), on sait ce qui arrive : les gros actionnaires, les censitaires pourvus du droit électoral, gouvernent la société uniquement à leur profit; les lois qui devraient protéger également tous les citoyens servent à grossir la propriété des forts actionnaires au détriment de la propriété des faibles; l'égalité politique est détruite. [p. 273]

Under the influence of such as system (in France) one knows what happens: the big shareholders, the “censitaires” who have the right to vote, govern society exclusively for their own profit; the laws which should protect all citizens equally serve to expand the property of the strong shareholders at the expense of the weak ones; political equality is destroyed.

[Source:⁵⁵

The problem was to find a system which would avoid the weakness of both systems. Molinari thought this could be achieved by having a universal right to vote as in America (where all shareholders could participate in choosing the management of the company) but making the payment of member’s dues (taxes) limited to a fixed proportion of the value of the property which they wanted to protect (such as a flat rate of taxation on income or the value of property). This was to prevent a democratic majority of voters voting for confiscatory taxes on the property and income of the rich, which Molinari thought was a major weakness in

⁵² Molinari, “Le droit électoral”, p. 271.

⁵³ Molinari, “Le droit électoral”, p. 272.

⁵⁴ Molinari, “Le droit électoral”, p. 272.

⁵⁵ Molinari, “Le droit électoral,” p. 273.

the American system of government.⁵⁶ A “proportional” or flat rate of tax was also supported by Thiers who discussed this in his *De la propriété* in a chapter on the distribution of taxes which Molinari reviewed and commented upon in January 1849.⁵⁷ Thiers also likened society to a company which had shareholders where citizens should pay according to the risk they bore and the amount of property which they wished to insure.⁵⁸ He thought the current level of expenditure by the French government could be maintained if there was a flat rate of 10% imposed on all income and the value of all property owned. It was in the course of reviewing this book by Thiers in January 1849 that Molinari came up with the idea of making literal what Thiers had only thought was a vague “similarity” - that of turning the production of security over to a real “compagnie d'assurance mutuelle” (mutual insurance company)⁵⁹

The Private Production of Security [Feb. 1849]

So when he came to write the pathbreaking article on “De la Production de la sécurité” in February 1849 Molinari had been reflecting for some time on the similarities between societies, governments, and insurance companies providing services to their citizens. The leap he made was to stop thinking of this similarity as purely a metaphor and to see it as an actual possibility that real insurance companies could sell premiums to willing customers for specific services which could be agreed upon contractually in advance and provided competitively on the free market. This article was his first attempt to explore the possibilities which this new way of thinking about government opened up; the second would be S11 in this book, and the third would be a lengthy section on “La Consommation

⁵⁶ These ideas have some similarity to the constitutional proposals Molinari put forward in 1873 when the new constitution for the Third Republic was being discussed. Here Molinari proposed 2 chambers, an upper house elected by the largest tax payers, and a lower chamber elected by universal suffrage, with an executive with very limited powers elected by both chambers. See *La République tempérée* (1873).

⁵⁷ Molinari, review of Thiers' "De la propriété", JDE, T. 22, N° 94, 15 janvier 1849, p. 162-77.

⁵⁸ Thiers, *De la propriété* (1848), pp. 276-77.

⁵⁹ Molinari, CR Thiers, p. 171.

publique” (Public Consumption) in the *Cours d'économie politique* which was published six years after *Les Soirées*.⁶⁰

Molinari realised he was exposing himself to criticism of his views about how far the “law of free competition” could be pushed by his colleagues. At one point he even calls himself “un économiste radical, un rêveur” (a radical economist, a dreamer)⁶¹ who dares to point out the logical inconsistency in advocating the liberalization from state control of every branch of production which uses property except for the one which guarantees the maintenance of property itself. He proceeds anyway, “au risque d'être qualifiés d'utopistes” (at the risk of being branded a utopian), because he believed that “le problème du gouvernement” (the problem of government) will eventually be solved like all the other economic problems by the introduction of a consistent and radical policy of liberty.⁶² The success of the English Anti-Corn Law League in overturning the protectionist corn laws in 1846 had shown what could be achieved if well organized Associations were set up to demand “la liberté du commerce” (the liberty of commerce, free trade). Molinari predicted that similar well-organized Associations would one day be set to demand “la liberté de gouvernement” (the liberty of government).⁶³

As if he were mentally laying the groundwork for his book on propriety and the natural laws of political economy, *Les Soirées*, Molinari goes back to first principles in the first three sections of the article: the world is governed by natural laws which are universal and which cannot be violated or ignored with impunity; conservatives, socialists, and even some economists must accept the fact of these natural laws and adapt their thinking accordingly; exceptions to these natural laws cannot be accepted by economists without overwhelming evidence and reasons, which he believes do not in fact exist; that human beings are naturally sociable and co-operate with others by means of the division of labour and trade to satisfy their

⁶⁰ Molinari, *Cours*, Douzième leçon, “Les consommations publiques,” pp. 480-534.

⁶¹ Molinari, S11, pp. 000. See also “The Dreamer” in *Further Aspects*.

⁶² Molinari, PdS, p. 290.

⁶³ No doubt he had in mind something like the “Association pour la liberté des échanges” (the French Free Trade Association) which might have been called “Association pour la liberté de gouvernement” (the Association for Freedom of Government). See the second last paragraph of PdS, p. 290 where this idea is expressed.

needs; that society is “*naturellement* organisée” (naturally organized) in that it has evolved gradually under the influence of these laws through the activities of millions of individuals who produce and trade their goods and services on the free market with freely negotiated prices; that individuals in society have a need to protect their persons and property from attack and hence evolve institutions to do this in the form of governments; that people want goods and services to be provided as cheaply and as efficiently as possible which is only possible through the law of free competition and the elimination of government protected monopolies; and that these natural laws of political economy do not allow any exceptions.

Having laid out this mini-treatise on political economy, Molinari then proceeds to make his case that the provision of security was just another government monopoly which should be liberalized. He turns the counter-argument on its head by challenging the economists who want to de-monopolize nearly everything the government does to justify why they have made this important exception to the general principle. Why should there be a government monopoly in this case when the theory of political economy shows conclusively that monopolies lead to higher prices, lack of innovation, and high profits for a privileged minority? Molinari distinguished between two different ways in which the production of security (or government broadly speaking) have been organized in throughout history - the “monopolistic” production of security and the “communistic” production of security. By “monopolistic” Molinari means an organisation dominated by a single person, such as a king, or a narrow class, such as the King in alliance with the aristocracy; by “communistic” he means an organisation dominated by society as a whole, or by its elected representatives, such as parliamentary democracy. Here he is using the word communistic in a very limited way to mean “in common” or “communal” rather than with any reference to the political group known as “Communists”, thus a better choice of word might be “socialist” or “statist” rather than “communist.” The historical example he uses to illustrate what he means by these two different methods of producing security, or any other government good or service, is taken from 17th century English history. Before the Revolution the King and allied aristocrats ran the country like a company for their personal and exclusive benefit, or “*le monopole de la sécurité*” (the monopolistic production of security). During the Revolution when the Commons seized control of the state the

company was run for the benefit of a broader group of individuals, nominally in the name of the people, which Molinari describes as “le communisme de la sécurité” (the communistic production of security). An even clearer example of the communistic provision of security was the recent 1848 Revolution in France where:

on a substitué à ce monopole exercé d'abord au profit d'une caste, ensuite au nom d'une certaine classe de la société, la production commune. L'universalité des consommateurs, considérés comme actionnaires, ont désigné un directeur chargé, pendant une certaine période, de l'exploitation, et une assemblée chargée de contrôler les actes du directeur et de son administration.

this monopoly exercised at first for the benefit of a caste and then in the name of a certain class in society, was replaced by communal production (of security), where a director was appointed and charged with its operation for a certain period of time, and an assembly was charged with supervising the actions of the director and his administration.

[Source:⁶⁴

In order to avoid the problems of either the monopolistic or the communist (or socialist) provision of security the only alternative solution in his view was “Communisme complet ou liberté complète” (complete communism or complete liberty). How the latter might work he sketched out briefly in Section 10 of the article and added some interesting twists to this in S11. Some inspiration no doubt came from a passage in Adam Smith’s *Wealth of Nations* where he talks about competing courts in England where litigants could shop around for a court which best suited their needs and which would charge fees according to the type of case involved.⁶⁵ This was a clear example of how legal services could be provided on the free market between competing institutions for profit. Given the powerful need for protection of person and property felt by consumers (“les consommateurs de sécurité”), and the fact that there were individuals who had the knowledge and skill

⁶⁴ Molinari, “De la production de la sécurité”, Section 6, p. 284.

⁶⁵ Adam Smith, *Wealth of Nations*, [Vi.b] part ii: Of the Expence of Justice. Online: Adam Smith, *Wealth of Nations* (Cannan ed.) <http://oll.libertyfund.org/titles/119#Smith_0206-02_510>. This was quoted in “De la production de la sécurité”, Section 6, p. 287; as well as S11, pp. 000.

to provide protection services for a fee (“les producteurs de sécurité”), it was inevitable that an individual or association of individuals would emerge as a producer of security to do just that. This was in fact exactly how the market operated for everything else. In smaller localities like a canton “un simple entrepreneur” (a simple entrepreneur) would emerge to satisfy the needs of the local community. In larger localities with several towns it would be a “une compagnie” or more formally organized corporation which would emerge to provide these services. Prices would be kept low and services would improve under the stimulus of competition since consumers would have the option of giving their business to “un nouvel entrepreneur, ou à l'entrepreneur voisin” (a new entrepreneur or a neighboring entrepreneur). Molinari even spelled out some of the terms and conditions which a budding security entrepreneur in “l'industrie de la sécurité” (the security industry) would have to offer consumers in order to get their business and to provide an effective service:

1° Que le producteur établisse certaines peines contre les offenseurs des personnes et les ravisseurs des propriétés, et que les consommateurs acceptent de se soumettre à ces peines, au cas où ils commettraient eux-mêmes des sévices contre les personnes et les propriétés;

2° Qu'il impose aux consommateurs certaines gênes, ayant pour objet de lui faciliter la découverte des auteurs de délits;

3° Qu'il perçoive régulièrement, pour couvrir ses frais de production ainsi que le bénéfice naturel de son industrie, une certaine prime, variable selon la situation des consommateurs, les occupations particulières auxquelles ils se livrent, l'étendue, la valeur et la nature de leurs propriétés.

1. that the producer (of security) would establish certain penalties for those who committed offences against individuals and those who violated property, and that the consumers (of security) (would) accept being subjected to these penalties in the case where they themselves committed these abuses against person or property;

2. that (the producer of security) would impose on the consumers (of security) certain obligations for the purpose of assisting it (the producer) in discovering the perpetrators of the crimes/offences

3. that (the producer of security) would regularly impose a certain premium to cover its costs of production as well as the normal profit (le bénéfice naturel) for its industry, which would vary according to the situation of the consumers, their particular occupations in which they were engaged, and the extent, value, and nature of their property.

[Source:]⁶⁶

Molinari would take up many of the same issues in S11 but it should be remembered that the discussion of the private provision of security takes place in a much broader context developed throughout the book concerning the private and competitive provision of many other public goods as well, such as mineral resources, state owned forests, canals, rivers, city water supplies, the post office, public theatres, libraries; and the ending of private monopolies protected by

⁶⁶ Molinari, PdS, p. 288. This key passage would be changed slightly for S11 where Molinari replaced the terms “le producteur” (the producer of security) with “les compagnies d’assurances” (insurance companies) and “les consommateurs” (consumers) with “les assurés” (the insured). The word “prime” (premium) remained the same in both cases.

government licences and heavily regulated professions such as bakeries, butchers, printing, lawyers, brokers, funeral parlors, cemeteries, medicine, teaching, and even brothels. A twist which he adds in S11 is that he introduces the radically new idea that an actual insurance company might be the type of private company best suited to providing security services for person and property. In “The Production of Security” he does not specify exactly what kind of company he had in mind other than general references to small local single entrepreneurs, or larger companies based in towns. In S11 he talks about much larger companies (“vastes compagnies”) and even “ces compagnies d’assurances sur la propriété” (these property insurance companies) and how they would have an economic incentive to cooperate with each other in settling disputes between their consumers and compensating them for lost property or violated liberty. He gives as an example how they might set up “facilités mutuelles” (joint or shared offices) in order to keep their costs down. It is at this moment that society as a great mutual insurance company stops being metaphorical and, and least in Molinari’s mind, becomes a literal possibility to solve the problem of government.

However, Molinari did not believe it was the economist’s job here or in any other area of economic activity to specify in advance exactly how goods and services would be provided at some time in the future, how many companies might be set up to supply these services, at what prices these goods and services would be traded, and so on. The only things an economist needed to know is whether or not there is a demand for a good or service, whether or not there are people willing to supply this good or service at a given price, and if there are no legal impediments to these two parties coming together to trade with each other; then the economist can say with some certainty that markets will evolve to satisfy this demand:

Cela ne regarde pas les économistes. L'économie politique peut dire: *si tel besoin existe*, il sera satisfait, et il le sera mieux sous un régime d'entière liberté que sous tout autre. A cette règle, aucune exception! mais comment s'organisera cette industrie, quels seront ses procédés techniques, voilà ce que l'économie politique ne saurait dire.

That does not concern the Economists. Political economy [p. 329] can say: *if such a need exists*, it will be satisfied and done better in a regime of full freedom than under any other. There is no exception to this rule. As to how this industry will be organized, what its technical procedures will be, that is something which political economy cannot tell us.

[Source:⁶⁷

This is of course a true statement about many if not most economic activities. As he was writing these very lines Molinari was witnessing the dramatic transformation of shopping in Paris with the emergence of the department store. No economist could have imagined how this new invention of the competitive market for the sale of consumer goods would transform cities like Paris. An entrepreneur named Aristide Boucicaut founded the first department store named appropriately enough, “Le Bon Marché” (the cheap or low cost market),⁶⁸ in Paris in 1838 which was rapidly evolving into its modern form in the late 1840s and early 1850s with its individual “departments” (or shops within a shop) selling a vast range of goods under one roof, at fixed prices, and offering the customer exchanges or refunds for unwanted purchases. Just as this new phenomenon had emerged unplanned and unanticipated out of the competitive market place for consumer goods, so Molinari imagined a similar new market would emerge for the buying and selling of security services in ways unimagined by economists. Whether such a market could arise was, of course untested, but Molinari was confident it would and, if fact was so confident, that he made a very bold prediction in S11 about how long a transition period was needed for this to occur, which only confirmed in his critics minds that he was a bold and daring utopian thinker:

⁶⁷ Molinari, S11, p. 274.

⁶⁸ The phrase “un gouvernement à bon marché” (a cheap or bargain priced government) was later adopted by Molinari to describe the kind of government he wanted to see. The phrase is used in S11, p. 258 and dozens of times in *Cours d'économie politique* (1855, 1863) in relation to government services.

Je prétends donc que si une communauté déclarait renoncer, au bout d'un certain délai, un an par exemple, à salarier des juges, des soldats et des gendarmes, au bout de l'année cette communauté n'en posséderait pas moins des tribunaux et des gouvernements prêts à fonctionner; et j'ajoute que si, sous ce nouveau régime, chacun conservait le droit d'exercer librement ces deux industries et d'en acheter librement les services, la sécurité serait produite le plus économiquement et le mieux possible.

Therefore, I maintain that if a community were to announce that after a given delay, say perhaps a year, it would give up financing the pay of judges, soldiers and policemen, at the end of the year that community would not possess any fewer courts and governments ready to function; and I would add that if, under this new regime, each person kept the right to engage freely in these two industries and to buy their services freely from them, security would be generated as economically and as well as possible.

[Source:⁶⁹

The Debate about the Production of Security in the SEP (Oct. 1849)

Molinari caused a furore in the Political Economy Society when he published "The Production of Security" and *Les Soirées*. In the article the editor of the JDE Joseph Garnier took the very unusual step of publishing a warning to readers about Molinari's radicalism in a footnote. This was a harbinger of what was to come when the Political Economy Society discussed *Les Soirées* at its October meeting.

⁶⁹ Molinari, S11, p. 274-75.

Bien que cet article puisse paraître empreint d'utopie dans ses conclusions, nous croyons, néanmoins, devoir le publier pour attirer l'attention des économistes et des publicistes sur une question qui n'a encore été traitée que d'une manière accidentelle et qui doit, néanmoins, à l'époque où nous sommes, être abordée avec plus de précision. Tant de gens exagèrent la nature et les attributions du gouvernement, qu'il est devenu utile de formuler strictement la circonscription hors de laquelle l'intervention de l'autorité cesse d'être tutélaire et profitable pour devenir anarchique et tyrannique. (Note du rédacteur en chef.)

Although this article may bear the imprint of being utopian in its conclusions, we nevertheless believe that we ought to publish it in order to draw the attention of economists and journalists to a question which has hitherto been treated only in passing and which should, nevertheless, in our present time, be approached with greater precision. So many people exaggerate the nature and functions of government that it has become useful to define exactly the boundaries outside of which the intervention of authority ceases to be protective and profitable and becomes anarchical and tyrannical. [Note by the editor].

[Source:⁷⁰

At their regular monthly meeting on October 10 the members of the Société d'économie politique debated Molinari's ideas about competitive governments which he had set forth in these publications. Present at the discussion were Horace Say (chairman), Charles Coquelin, Frédéric Bastiat, M. de Parieu, Louis Wolowski, Charles Dunoyer, M. Sainte-Beuve (MP for L'Oise), M. Lopès-Dubec (MP for La Gironde), M. Rodet, and M. Raudot (MP for Saône-et-Loire). Molinari was notable for his absence, which is probably understandable.⁷¹ The reaction to Molinari's ideas was universally hostile with Dunoyer arguing that Molinari "s'est laissé égarer par des illusions de logique" (has allowed himself to be carried away by delusions of logic).

Coquelin, who was to write a very critical review in the *JDE* the following month, led off the discussion with the observation that in the absence of a "supreme authority" such as the state justice would have no sanction and thus the

⁷⁰ Joseph Garnier, introductory footnote to Molinari's essay "De la production de la sécurité," *JDE*, T. 22, no. 95, 15 February 1849, p. 277.

⁷¹ *Les Soirées* was discussed by the Political Economy Society at its "Séance du 10 octobre 1849." A report was published in *JDE*, T. 24, No. 103, 15 October 1849, "Chronique," pp. 315-16. This was followed in November by a critical review by Coquelin in the *JDE*.

beneficial effects of competition could not be felt throughout the economy. In other words “Au-dessous de l'Etat, la concurrence est possible et féconde; au-dessus, elle est impossible à appliquer et même à concevoir” (beneath/below the state competition is possible and productive; above the state it is impossible to be put into practice and even to conceive). Bastiat followed Coquelin with a statement about his own views for a state which was strictly limited to guaranteeing justice and security. Since this required force to accomplish and since force could only be the attribute of a supreme power, he could not understand how a society could function if supreme power was split among numerous groups which were all equal to each other. Furthermore, given the current dangerous political climate where socialist ideas were rampant Bastiat was concerned that to argue that the state should only have one function, namely to guarantee security, might provide the socialists with “a useful and effective” piece of propaganda in the current circumstances. Dunoyer wrapped up the discussion on the function of the state by observing that to allow competition between private companies providing government services would lead to “des luttes violentes” (violent battles). He concluded that therefore it would be better to leave the exercise of force where history had placed it, namely in the hands of the state. There was, he argued, already “véritable concurrence” (genuine competition) in politics in the form of the jostling for power by representative bodies who sought control of the government by offering their services to voters who exercised “real choice” (qui choisit bien réellement) every time they voted.

The consensus view was summed up by Coquelin in his review of *Les Soirées* the following month in the JDE where Coquelin objected to the fact that Molinari put into the mouth of “the Economist” views about the private provision of security which no other economist held.⁷² This is certainly true and it probably embarrassed the other political economists. The result was that none of his friends or colleagues took up any of his ideas, leaving Molinari as the sole advocate of these ideas for the rest of the century.

⁷² Charles Coquelin reviewed *Les Soirées* in November 1849. See, [Unsigned], *Compte-rendu par M. CH. C. [Coquelin], “Les Soirées de la rue Saint-Lazare, Entretiens sur les lois économiques et défense de la propriété, JDE, T. 24, N° 104, 15 novembre 1849, pp. 364-72.*

References to the Production of Security in the Cours d'économie politique (1855, 1863)

In spite of his colleagues' criticism and his intellectual isolation on this topic, Molinari continued to work on these ideas for at least the next 30 years. He developed them much more fully in two later works which should be briefly mentioned at this point, the treatise based upon his lectures at the Athénée royal in Paris, the *Cours d'économie politique*, which he began in late 1847 and completed after he had moved to Brussels in 1852 and was teaching again, this time at the Musée royale de l'industrie belge; and the second volume of his work on the historical sociology and economics of the State which appeared in 1884, *L'Évolution politique et la Révolution* after Molinari had returned to Paris and had taken up the post of editor of the *Journal des Économistes* in 1881. In a 100 page final section of the *Cours d'économie politique* dealing with "Consumption" Molinari develops his ideas on the nature of plunder, coerced labour such as slavery, the wastefulness of government spending and monopolies, the private provision of public goods, the proper functions of government in the era of competition, and a restatement of the benefits of what he now calls "concurrence politique" (political competition, or competing governments).⁷³ The idea of insurance companies providing security services to clients in S11 has been expanded into a more generalized economic theory of the state, how it provides all kinds of services, not just security services, and how this evolves over time towards the future era of competition in which the private and competitive provision of all so-called "public goods" has become the norm. The important insight Molinari had, with interesting similarities to the Public Choice approach to understanding politics, was to treat the state in the same way he would treat a firm or a company, that the people who owned or ran the firm had goals which they wanted to achieve with limited resources, that they responded to changing relative costs and benefits, and that they had to adjust to technological and other systemic changes. The terminology Molinari used to describe the state is quite instructive. The following is a sample: "les entreprises gouvernementales" (government enterprises), "les entreprises politiques" (political

⁷³ Molinari, *Cours*, vol. 2, Quatrième partie: De la consommation. Onzième leçon, "Le revenu. La consommation utile et la consommation nuisible," pp. 427-79; Douzième leçon, "Les consommations publiques," pp. 480-534.

enterprises), "l'industrie du gouvernement" (the industry of government), "une vaste entreprise, exerçant des industries et des fonctions multiples et disparates" (a vast enterprise which carried out multiple and various enterprises), and "ateliers de production de la sécurité" (workshops which produced security). He was even working on a public choice-like notion of "le marché politique" (the political marketplace) in which politicians bought and sold favours in order to get or to stay in power.

The difference between the state treated in this economic fashion and a true firm was that the state had access to coercive powers which were denied most firms, except for those “rent-seeking” firms which could get government privileges or monopolies of some kind. Nevertheless, Molinari thought it was very important to use economics to analyse the operation of the state, especially the “anti-économique” aspects of state activity which led to waste, corruption, and the poor provision of services like security. It was a mistake he thought to exempt the state from the economists’ scrutiny:

L'échec désastreux de toutes les tentatives qui ont été faites pour améliorer les services publics, tant sous le rapport de leur production que sous celui de leur distribution, sans avoir égard aux lois économiques qui président à la production et à la distribution des autres services, démontre suffisamment, croyons-nous, que l'on se trompait en plaçant ainsi les gouvernements dans une région inaccessible à l'économie politique. Science de l'utile, l'économie politique est seule compétente, au contraire, pour déterminer les conditions dans lesquelles doivent être établies toutes les entreprises, aussi bien celles que les gouvernements accaparent que celles qui sont abandonnées à l'activité privée.

The disastrous failure of all the attempts which have been made to improve public services, just as much with regard to their production as with their distribution, without having any consideration for the economic laws which govern the production and distribution of other services, clearly demonstrates in our view that one deceives oneself by putting governments beyond the reach of political economy. Political economy, as the science of what is useful, is alone competent to determine the conditions in which all enterprises ought to be established, just as much for those enterprises monopolized by the government, as those which are left to private activity.

Du moment où l'on restitue à l'économie politique cette partie essentielle de son domaine, sans se laisser arrêter davantage par un préjugé trop respectueux pour des puissances que la crainte des uns, l'orgueil des autres, avaient divinisées, la solution du problème d'un gouvernement utile devient non seulement possible mais encore facile. Il suffit de rechercher, en premier lieu, si les entreprises gouvernementales sont constituées conformément aux lois économiques qui président à la constitution de toutes les autres entreprises, quelle que soit la nature particulière de chacune, en second lieu, comment, dans la négative, on peut les y conformer.

From the moment when this essential part of its domain has been restored to political economy, without allowing it (this process) to be halted by any prejudice which is too respectful towards the powers (of the state) which the fear of some and the pride of others have deified, the solution to the problem of a useful government become not only possible but even easy. In the first place, it is sufficient to discover if the government enterprises are constituted in conformity with the economic laws which govern all other enterprises, whatever the particular nature of each one may be, and in the second place, if this is not the case, how one could make them conform to them (economic laws).

[Source:⁷⁴

What Molinari is doing here is similar to what Douglas C. North did in the 1970s with his history of the emergence of political institutions from an economic perspective.⁷⁵ Political and religious leaders as well as other producers and consumers make decisions based upon the economic and political options which are available to them, and these options are limited by things such as the extent of the division of labour, the depth and breath of the market, the productivity of economic activity at that time, and the amount of surplus they can extract from the workers and taxpayers. As these things change over time, especially as technological change introduces new possibilities for economic activity, institutions change in order to take advantage of them.

He continued to develop his theory of the production of security in the *Cours* along the following lines: that as economies and trade became more complex there would be greater division of labour in the security industry; he further developed the idea of “nuisance” (harm) which was caused by accidents (like fire or floods) or

⁷⁴ Molinari, *Cours*, vol. 2, p. 521.

⁷⁵ Douglass C. North and Robert Paul Thomas, *The Rise of the Western World: A New Economic History* (1973).

by theft or fraud, or what might also be called torts, which he thought insurance companies would be especially good at “policing”; that governments could be seen as another way in which risk to individuals and businesses arising from theft or fraud could be managed and reduced with benefits for society as a whole; and that the growing complexity of the market would result in innovative security firms creating new types of law (“une justice ad hoc”) in order to offer new forms of protection for persons and property. Most importantly, he developed a list of reasons why the monopoly provision of security by the state was more costly and less efficient than private companies, all of which were based upon his theory of the natural laws of political economy and how the state violated them.

The first reason he gave was that government monopolies tended to overproduce goods or services beyond the needs of the consumers because, in the absence of prices and freely negotiated contracts, the government monopoly did not know how much production is optimal. Molinari thought that defence was an excellent example of this tendency to overproduce a good or service:

La production de la sécurité est l'une de celles où l'on peut observer, le plus fréquemment, ce développement parasite, où il présente, en même temps, le caractère le plus anti-économique.

The production of security is the example of this parasitical development which is most frequently observed, and where at the same time it demonstrates the most anti-economic character. [p. 153]

[Source:⁷⁶

A second reason was that government had become too big and complex, and was active in too many fields to be expert in all of them. This also suggests he had an inkling of Hayek's problem of knowledge which was faced by monopolists and central planners in the absence of adequate information provided to planners by the wishes of consumers and suppliers by means of price signals. Molinari thought that running a very large government supplier of any good or service was like chasing too many hares at once (“chasser plusieurs lièvres à la fois”):

⁷⁶ Molinari, *Cours*, vol. 1, p. 192..

Or qu'est-ce qu'un gouvernement sinon une vaste entreprise, exerçant des industries et des fonctions multiples et disparates? Au point de vue des lois de l'unité des opérations et de la division du travail, un gouvernement qui entreprend la production de la sécurité et de l'enseignement, le transport des lettres et des dépêches télégraphiques, la construction et l'exploitation des chemins de fer, la fabrication des monnaies, etc., n'est-il pas un véritable monstre?

Now what is the government if not a huge enterprise which carries out multiple and disparate industries and functions? From the perspective of the laws of the unity of operations and the division of labour, isn't a government which undertakes the production of security and of education, the carrying of letters and telegrams, the construction and operation of the railways, the minting of money, etc. a veritable monster?

[Source:⁷⁷

A final reason he gave was that firms had a natural size limit (la loi des limites naturelles) beyond which they could not operate effectively. In an insight that suggests thinking along the lines of Ronald Coase's theory of the firm, Molinari gave as an example the dream of some rulers to build "la monarchie universelle" (the universal monarchy) which would govern huge territories, with millions of people, and supplying them with myriads of services. Molinari thought that the market should determine the optimal size of firms which would best be able to satisfy the needs of its consumers as well as make a profit for its owners:

⁷⁷ Molinari, *Cours*, vol. 2, p. 524.

Comment d'ailleurs des gouvernements qui exercent plusieurs industries ou plusieurs fonctions se conformeraient-ils à la loi des limites naturelles? Chaque industrie a les siennes, et telle limite qui est utile pour la production de la sécurité cesse de l'être pour celle de l'enseignement. Cela étant, un gouvernement ne peut évidemment observer une loi qui lui imposerait autant de limites différentes qu'il exerce d'industries ou de fonctions.

By the way, how could governments which carry out many industries or many functions conform to the law of natural limits (to the size of enterprises)? Each industry has its limits, and such a limit which is useful for the production of security ceases to be (the limit) for that of education. That being so, a government evidently cannot observe a law which imposes upon it as many different limits as the number of industries or functions which it carries out.

[Source:⁷⁸

Molinari summed up his objections to the “anti-economic” nature of government activity with a list of four acts of government “sinning” against or violating the natural laws of political economy:

I. Les gouvernements pèchent visiblement contre les lois de l'unité des opérations et de la division du travail.

II. Les gouvernements ne pèchent pas moins contre la loi des limites naturelles.

III. Les gouvernements pèchent contre la loi de la concurrence.

IV. Les gouvernements pèchent, enfin, dans la distribution de leurs services, contre les principes de la spécialité et de la liberté des échanges. [p. 759]

I. Governments visibly sin against (violate) the laws of the unity of operations and the division of labour.

II. Governments sin no less against the law of natural limits (to their size).

III. Governments sin against the law of competition.

IV. Finally, governments sin against the principles of specialization and free trade.

[Source:⁷⁹

⁷⁸ Molinari, *Cours*, vol. 2, p. 524.

⁷⁹ Molinari, *Cours*, vol. 2, pp. 524-25. This is a summary of the main points given as headings in the text.

Molinari was still railing against the economic inefficiency of government monopoly police services in the 1890s which he described as “le plus arrière de tous” (the most backward of them all) and modern governments in general as “monsters”:

En revanche, le service non moins nécessaire de la sécurité intérieure, qui se trouve entièrement à l'abri de la concurrence, est le plus arriéré de tous. La justice n'a pas cessé d'être coûteuse, lente et incertaine, la police insuffisante et vexatoire, la pénalité tantôt excessive et tantôt trop faible, le système pénitentiaire plus propre à développer la criminalité qu'à la restreindre. Comment en serait-il autrement? Comment les fonctions naturelles des gouvernements ne souffriraient-elles pas de l'accroissement incessant de leurs fonctions parasites ? Quelle entreprise particulière pourrait subsister si elle était constituée et gérée comme un gouvernement, et accaparait, à son exemple, des industries multiples et disparates ? Au point de vue économique, les gouvernements modernes sont-ils autre chose que des « monstres » ?

On the other hand, the no less necessary service of internal security, which is completely protected from any competition, is the most backward of them all (government services). Justice is still costly, slow, and uncertain; the police are inadequate and persecutory; penalties are sometimes excessive and at other times too weak; and the prison system is more suited to developing criminality than controlling it. How could it be otherwise? Why wouldn't the natural functions of government suffer from the incessant expansion of their parasitic functions? What individual enterprise could survive if it were structured and run like a government and, following its example, monopolized multiple and disparate industries? From the economic point of view, aren't modern governments nothing more than “monsters”?

[Source:⁸⁰

References to the Production of Security in Évolution politique (1884)

Some 35 years after the appearance of the original article “La Production de la sécurité” in February 1849 Molinari was still defending this idea in 1884, although occasionally putting the title in quotation marks as if to distance himself a little bit

⁸⁰ Gustave de Molinari, *Comment se résoudra la question sociale* (Paris: Guillaumin, 1896), “La Révolution silencieuse,” p. 338.

from it. He still talks about producers and consumers of security, about the greater economic efficiency and lower costs of free market alternatives to government, and the need for governments to obey the economic principles which govern all enterprises, especially living within its means and paying its debts. Only then, Molinari thought, could governments avoid becoming what J.B. Say described as “les ulcères des nations” (the ulcers of nations).⁸¹ The changes he introduced in this later work were the following: he changed the name of the final end which he was seeking to achieve “la liberté de government” (the liberty of government) which made a clear reference to the early movement for “la liberté des échanges” (free trade); a new discussion on how law might evolve and change to meet the needs of a growing economy; and a very interesting discussion prompted by the American Civil War (the War of Secession) on the right to secession by states or the right of an individual to opt out of government provided security services if he thought that they were unsatisfactory or “abusive” in some way.⁸² Surprisingly, he was a little coy in his answer to this problem as he seemed to admit an exception to the right to opt out if there was a pressing “l'intérêt général” (general interest, or social need) such as “la suite d'une guerre malheureuse” (the aftermath of an unsuccessful war), perhaps like France's loss to Prussia in 1870 which would still have been fresh in his memory. However, he thought that the reasons for maintaining the integrity of “le marché politique” (the political market) were diminishing as people became wealthier and more diverse as international trade expanded. The integrity of states had already been challenged and some secessionist movements had succeeded (like Latin America in the 1820s) and he thought this process was most likely to continue in the future.

⁸¹ Molinari, *Evolution politique*, Chap. X “Les Gouvernements de l'avenir,” p. 363.

⁸² Molinari, *Evolution politique*, Chap. X “Les Gouvernements de l'avenir,” pp. 376-77.

2. THE PRODUCTION OF SECURITY II: IS MOLINARI A REAL ANARCHO-CAPITALIST?

The Production of Security vs. the Production of Law

It appears that Molinari's anarcho-capitalism was only half formed in S11, if we compare it to the theories which were emerging in the U.S. in the 1970s and later. Here he deals exclusively with the "production of security," that is the supply of resources needed to provide the police and gendarmerie necessary to protect property and deter crime, the police and detectives needed to investigate crimes against property and person, and the institutional arrangements among insurance companies to compensate victims of crimes for their losses. He says nothing about the other side of the equation, "la production de la loi" (the production of law) or "la liberté du tribunal" (the liberty of courts), which would be the development of the legal structure used to determine what is a crime, how it should be prosecuted, and what suitable punishment or recompense is required for the sake of justice. We know he was aware of Adam Smith's story about the fees of court but he does not pursue the matter in any detail, such as how a voluntary, market-driven system of private courts might create law through precedent and commonly agreed upon legal norms and practices. Although Bastiat did come up with the phrase "la grande fabrique de lois" (the great law factory)⁸³ which might have been suitable to describe this private production of law, it was in fact coined to denounce the French Chamber of Deputies as a factory which produced legal and economic privileges for well connected members of the ruling elite and their allies, very much along the lines depicted in the wonderful Daumier cartoon of Louis Philippe as Gargantua sitting on his throne-like commode which he drew in 1831.⁸⁴ This is definitely not the kind of "production of laws" Molinari would have had in mind.

⁸³ Bastiat uses the phrase "la grande fabrique de lois" in WSWNS, VII "Restrictions" [p. 3187 French]. If Molinari thought of the production of law as he did other monopolised industries which he wished to see deregulated he might have described the industry as "la production de la loi" (the production of laws) with "entrepreneurs du tribunal" (entrepreneurs in the court business) who enjoyed "la liberté du tribunal" (the liberty of courts, or free courts).

⁸⁴ Roger Passeron, *Daumier* (1981). p. 66.

Molinari did not broach the subject of how law evolves until the *Cours d'économie politique*. He recognized that in “l'ère de la concurrence” (the era of competition) as he called the future fully deregulated laissez-faire society where security was provided by the market, the law would adapt in order to meet the needs of a rapidly growing economy which was undergoing technological change and globalization of markets. As new kinds of property emerged new means would be required to protect it from force, fraud, or loss. He talks about the multiplication and diversification of new legal “appareils” (devices, apparatus) which would spring up to solve “contestations continues” (perpetual disputes) involving property rights. He describes this legal process of dispute resolution “une justice ad hoc” (ad hoc justice) which he does not describe in any detail but which suggests a kind of common or customary law developed by the parties involved in disputes.

Dans la phase de la concurrence, où nous commençons à nous engager, elles subissent de nouvelles modifications en plus et en moins. Dans cette phase, les sociétés, croissant rapidement en nombre et en richesse, ont besoin par là même d'une sécurité plus parfaite, mieux assise et plus étendue. Pour faire naître et maintenir l'ordre au sein d'une multitude d'intérêts incessamment en contact, il faut à la fois une justice plus exacte et une puissance plus grande pour la faire observer. En outre, les propriétés se multipliant et se diversifiant à l'infini, il faut multiplier et diversifier les appareils qui servent à les défendre. La production des inventions et la production littéraire, par exemple, donnent naissance, en se développant, à un nombre considérable de propriétés d'une espèce particulière, dont les limites soit dans l'espace soit dans le temps, engendrent des contestations continuelles. Il faut pour résoudre ces questions litigieuses une justice ad hoc. En d'autres termes, la justice devra s'étendre et se diversifier en raison de l'extension et de la diversification du débouché que l'accroissement et la multiplication de toutes les branches de la richesse ouvrent à la fraude et à l'injustice. Enfin, la sécurité doit s'allonger, pour ainsi dire, dans l'espace et dans le temps.

In the era of competition which we are now beginning to enter, (societies) undergo new modifications to a greater or lesser extent. In this era, societies which are growing rapidly in number and in wealth, therefore need security which is more perfect, better founded, and more extensive. In order to give rise to and maintain order at the heart of a multitude of interests which are constantly in contact with each other, it is necessary to have both justice which is more precise and a power which is greater in order to enforce it. Furthermore, as property is multiplying and diversifying endlessly it is necessary to multiply and diversity the structures/organisations (appareils) which are used to protect them. The production of inventions and literature for example give rise in the process of their development to a considerable number of properties of particular kinds whose extent, whether in space or time, give rise to perpetual disputes. It is necessary in order to resolve these legal questions to have a kind of ad hoc justice. In other words, justice ought to be extended and diversified because of the extension and diversification of the market which the growth and the multiplication of all kinds of wealth open up to fraud and injustice. Finally, security ought to be, so to speak, extended in both space and time.

[Source:⁸⁵

In *Évolution politique* (1884) in a chapter on “Évolution et révolution “ Molinari generalizes this insight further to argue that no matter what state of economic and political development a society might be in, whether the communitarian,

⁸⁵ Molinari, *Cours*, vol. 2, p. 502.

monopoly, or competitive phase or régime, legal and political institutions evolve in order to achieve “concordance” or equilibrium between them and the level of complexity of the economy in that stage of development (such as the extent of the division of labour and the size and scope of trading relationships). In a very Spencerian way of arguing he observed:

Les institutions qui régissent les sociétés sont le produit d'une série d'inventions et de découvertes, c'est-à-dire d'une industrie particulière, laquelle apparaît et se développe, comme toute autre industrie, lorsque le besoin et, par conséquent, la demande de ses produits ou de ses services viennent à naître et à grandir. On trouve profit alors, — soit que l'on ait en vue une rétribution matérielle ou simplement morale, — à découvrir ou à inventer les institutions et les lois qui répondent à ce besoin. Ce travail se poursuit jusqu'à ce que la société, — troupeau, tribu ou nation, — soit pourvue de l'ensemble d'institutions et de lois qui sont ou qui lui paraissent le mieux adaptées à sa nature et à ses conditions d'existence. Lorsque ce résultat est atteint, lorsque la machinery du gouvernement approprié à la société est achevée, la production des inventions et découvertes politiques et économiques, après s'être ralentie, finit par s'arrêter. Cependant ce ralentissement et cet arrêt ne sont que temporaires, car chaque fois que les éléments et les conditions d'existence de la société viennent à se modifier, il devient nécessaire de modifier aussi ses institutions et ses lois, de manière à les mettre en concordance avec le nouvel état des hommes et des choses.

The institutions which govern societies are the product of a series of inventions and discoveries, that is to say, of a particular industry which appears and develops like any other industry, when the need for, and thus the demand for its products or services arise and grow. Profits can be then found, whether one has in mind material or simply moral rewards, in discovering or in inventing institutions and laws which respond to this need. This work is pursued until society - whether a band, a tribe, or a people - is provided with the ensemble of institutions and laws which are or appear to be the best adapted to its nature and to its conditions of existence. When this result has been achieved, when the machinery of government (GdM uses the English word “machinery” here) appropriate to (that) society has been achieved, the production of political and economic inventions and discoveries comes to an end. However, this slowing and stopping are only temporary, because each time that the elements and conditions of existence of society are modified it becomes necessary to also modify its institutions and laws in such a way as to bring them into concordance with the new state of mankind and of (material) things.

[Source:⁸⁶

So it seems that he had both components of the anarcho-capitalist position developed to some degree by 1855 and further developed in 1884, the idea that private companies operating in a free market could supply protection services more cheaply and efficiently than a state monopoly, and that law too could evolve in order to solve disputes about property and violence. After the negative reaction he got to his ideas from his colleagues in the Political Economy Society in October 1849 it is not surprising that he might have become a bit more circumspect in the outright advocacy of his position by hiding behind the idea that this was an “hypothesis” being put forward by “un économiste radical, un rêveur” (a *radical economist*, a dreamer).⁸⁷ This seems to be the case in a story he tells towards the end of the *Cours* about a grocer who enjoyed a monopoly in his village at a time when the economy as a whole was moving towards open and free competition in all areas of business activity, including the grocery business.⁸⁸ Most of the villagers, and the grocer too of course, believed in “quelque antique superstition” (some ancient superstition) that groceries could only be supplied by a monopoly and that their supply of groceries would break down if the business were to be opened up to competition. Molinari then proceeds to show how the villagers are mistaken, how free and open competition by grocers would lead to greater variety in the choice of food, lower prices, and even more work for people in the grocery business. He asks the reader to “poursuivons jusqu’au bout notre hypothèse” (follow us to the end of our hypothesis” and reaches the following conclusions about the benefits of competition in all things:

⁸⁶ Molinari, *Évolution politique*, Chap. VIII. “Évolution et révolution.” pp. 239-40.

⁸⁷ Molinari used a similar rhetorical device to disarm criticism in “De la production de la sécurité” at the beginning of Section X before he began arguing his main point. He asked his readers “Qu'on nous permette maintenant de formuler une simple hypothèse” (Please permit me now to to put forward a simple hypothesis), PdS, Section X, p. 287.

⁸⁸ Molinari, *Cours*, vol. 2, pp. 510-14.

l'on découvrira, non sans surprise, qu'il n'est pas vrai, ainsi que les monopoleurs s'étaient appliqués à le faire croire, le croyant du reste eux-mêmes, que le monopole soit la forme nécessaire et providentielle du commerce de l'épicerie. En conséquence, au lieu de poursuivre l'œuvre impossible d'une meilleure "organisation" de ce monopole, on travaillera à le démolir, en faisant passer successivement les différentes branches de commerce qui s'y trouvent agglomérées, dans le domaine de la concurrence. Cette agglomération contre nature étant dissoute, chaque branche devenue libre pourra se développer dans ses conditions normales, en proportion des besoins du marché, et la société débarrassée d'un monopole qui la retardait et l'épuisait croîtra plus rapidement en nombre et en richesse.

C'est là l'histoire des gouvernements depuis que la société a commencé à passer de la phase du monopole dans celle de la concurrence.

[Source:⁸⁹

Including of course "la production des services publics" (the production of public services) like security and other public goods.

Where is Utopia?

Twenty years later he was still putting forward much the same "hypothesis" in an essay he published in the JDE in 1904 asking "Où est l'utopie?" (Where is Utopia?) which suggests his radicalism had barely weakened over the years and that his vision of a completely free market in everything operating everywhere was still

One will discover, not without some surprise, that it is not true, as the monopolists have attempted to make us believe and as they themselves moreover believe, that monopoly is the necessary and god-given form for the grocery business. Consequently, instead of pursuing the impossible task of finding a better "organisation" of this monopoly we will work to destroy it, by progressively making the different branches of the (grocery) business which have been amalgamated together pass into the domain of free competition. Once this unnatural amalgamation/agglomeration has been dissolved, once each branch has become free, it will be able to develop under its normal conditions, in proportion to the needs of the market, and once society has got rid of a monopoly which was holding it back and exhausting it, it will grow more rapidly in number and in size.

There (in a nutshell) is the history of governments since society began to pass from the era of monopoly to that of competition.

⁸⁹ Molinari, *Cours*, pp. 514-15.

with him. When compared to the future which he thought lay in store if the current regime of protectionism, statism, and militarism continued to expand, or to the future proposed by the socialist parties of government planning and regulation of the economy and society in general, then his liberal utopia did not seem any more utopian than theirs did:

Faisons maintenant une hypothèse. Supposons que cette action de la concurrence puisse, un jour, s'opérer sans obstacles sur toute la surface du globe et dans toutes les branches de l'activité humaine ; que tous les marchés, maintenant encore séparés par des barrières naturelles ou artificielles, ne forment plus qu'un seul et vaste marché ...

Nous convenons volontiers que cette hypothèse peut sembler chimérique, mais lorsque nous considérons l'avenir que nous prépare le régime protectionniste, étatiste et militariste actuellement en vigueur dans toute l'étendue du monde civilisé, et celui par lequel le socialisme se propose de le remplacer, nous nous demandons si cet avenir ne serait point par hasard encore plus utopique que le nôtre.

Let me now put forward a hypothesis. Let us suppose that one day this process of competition is operating across the entire surface of the globe and in all areas of human activity without any obstacles in its way; that all the markets which are currently separated by natural or artificial barriers now make up one single vast market ...

We readily agree that this hypothesis might seem fanciful, but when we consider the future being prepared for us by the protectionist, statist, and militarist regime which is at present in power throughout the entire civilised world, and that which the socialists plan to put in its place, we have to ask ourselves if this future wouldn't end up being even more utopian than ours.

[Source:⁹⁰

It was at moments like this that Molinari liked to remind his readers of Adam Smith's pessimism in 1776 about the chances of free trade being introduced in Britain against the prejudices of the general public and the powerful self-interest of politically well connected lobby groups who benefited from protection. In spite of these obstacles the Corn Laws were repealed some 70 years later:

To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an *Oceana* or *Utopia* should ever be established in it. Not only the prejudices of the public, but what is much

⁹⁰ Molinari, "Où est l'Utopie?" *Questions économiques* (1906), pp.377-80

more unconquerable, the private interests of many individuals, irresistibly oppose it. Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many [436] occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly, is sure to acquire not only the reputation of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services, can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.⁹¹

If the powerful and entrenched interests which had benefited from mercantilism and tariff protection could be overcome only 70 years after Smith wrote these despairing lines, in 1846 when Cobden and the Anti-Corn Law League were successful in having the lynch pin of the protectionist regime repealed, then perhaps Molinari likewise might have thought that his dream of a society based upon competitive markets in everything could be achieved in an other 70 years after he wrote his essay “Where is Utopia?” in 1904. That would mean he might have expected to have seen a new Cobden or a new Bastiat emerge at the head of an “Association pour la liberté de gouvernement” (the Association for Freedom of Government) sometime in 1974. His calculations are obviously incorrect, but he was partly right in that it was in the late 1960s and early 1970s that a new

⁹¹ Adam Smith, *Wealth of Nations* (Cannan ed.) (1904). Vol. 1, Book IV, Chap. II: Of Restraints upon the Importation from foreign Countries of such goods as can be produced at home <http://oll.libertyfund.org/titles/237#Smith_0206-01_1149>.

generation of libertarians in the United States rediscovered his ideas and began to discuss them in earnest.