

David M. Hart, "The Struggle against Protectionism, Socialism, and the Bureaucratic State: The Economic Thought of Gustave de Molinari, 1845-1855"
[Austrian Economics Research Conference, March, 2016]

Research Project on French Liberal Political Economy in the 1840s and 1850s

“The Struggle against Protectionism, Socialism, and the Bureaucratic State: The French Political Economists, 1840-1855”

People: “The Seven Musketeers” of French Political Economy

Networks and Causes: Networks for Liberty

Ideas: The Radicalisation of Classical Liberal Political and Economic Thought

Translation projects <oll.libertyfund.org>:

- ❖ *The Collected Works of Bastiat*, 6 vols.
- ❖ Molinari, *Les Soirées de la rue Saint Lazare* (1849)

Publishing:

- ❖ 2 anthologies of 19thC French Classical Liberal thought (Routledge, Ellipses)

Online: <davidmhart.com/liberty>

The “7 Musketeers” of French Political Economy (1)



Frédéric Bastiat
(1801-1850)

- ❖ coined by Gérard Minart
- ❖ 1st generation born around 1800 (mid to late 40s in 1848)
 - ❖ **Gilbert-Urbain Guillaumin** (1801-1864) - publisher): Guillaumin's publishing firm which published books, pamphlets, and the *Journal des Économistes* (1841-1940)
 - ❖ **Charles Coquelin** (1802-1852) - economist on free banking, eloquent public speaker, editor DEP
 - ❖ **Frédéric Bastiat** (1801-1850) - FT activist, popularizer ec. thought, theorist, head of French Free Trade Association and editor of its journal *Le Libre-Échange* (1846-48)

The “7 Musketeers” of French Political Economy (2)



Gustave de Molinari
(1819-1912)

- ❖ 2nd generation born around 1820 (late 20s in 1848)
 - ❖ **Joseph Garnier** (1813-1881) - economics teacher, editor, peace advocate
 - ❖ **Gustave de Molinari** (1819-1912) - journalist, economic theorist, historical sociologist
 - ❖ **Hippolyte Castille** (1820-1886) - journalist, popular historian, wrote for *le Courrier français* and held regular soirées at his home on the rue Saint-Lazare (1844-48)
 - ❖ **Alcide Fonteyraud** (1822-1849) - specialist on Ricardo, translator, public speaker
- ❖ dispersed by 1852 through early deaths, political reaction, exile

Networks for Liberty (1)



- ❖ Guillaumin publishing firm (founded 1835)
- ❖ the *Journal des Économistes* (founded November 1841)
- ❖ the Political Economy Society (founded 1842)
- ❖ the French Free Trade Society (founded July 1846 - March 1848), headed by Frédéric Bastiat
- ❖ universities and schools
 - ❖ College de France - Michel Chevallier
 - ❖ Conservatoire national des arts et métiers - Adolphe Blanqui
 - ❖ École nationale des ponts et chaussées - Joseph Garnier
- ❖ National Assembly
 - ❖ Lamartine, Alexis de Tocqueville
 - ❖ Léon Faucher, Bastiat

Networks for Liberty (2)



- ❖ the Friends of Peace Society (founded in 1843), meeting in Paris August 1849 [Joseph Garnier]
- ❖ the political club “Club de la Liberté du Travail” (March) [Alcide Fonteyraud] and street journalism: *La République française* (Feb.) and *Jacques Bonhomme* (June 1848) [Bastiat, Molinari]
- ❖ the *Dictionnaire de l'Économie politique* (1852-53) project [Ch. Coquelin]
- ❖ Académie des sciences morales et politiques - Ch. Dunoyer
- ❖ soirées and salons
 - ❖ Hippolyte Castille’s “soirée” on the rue Saint-Lazare (1844-48)
 - ❖ Hortense Cheuvreux’s salon

The Impact of the French Liberals on Rothbard's Economic Thought



Frédéric Bastiat (1801-1850)



Gustave de Molinari (1819-1912)

- ❖ Rothbard and the “Cercle Bastiat” in NYC in the 1950s
- ❖ PhD work of Ralph Raico (Constant, Tocqueville) & Leonard Liggitto (Charles Comte and Charles Dunoyer) on the French Liberals
- ❖ MNR's opening chapters of MES (1962) (Bastiat) and P&M (1970) (Molinari)



Frédéric Bastiat (1801-1850)

- ❖ theory of plunder - the plunderers vs. the plundered
- ❖ all exchanges are the mutual exchange of “services”
- ❖ subjectivist value theory - consumers individually “evaluate” the things they exchange
- ❖ invention of “**Crusoe economics**” - a thought experiment to explain how economic decisions are made
- ❖ impact can be seen in first 3 chaps of MES & later in *Ethics of Liberty* (1982)



Gustave de Molinari (1819-1912)

- ❖ there are markets in everything (producers & consumers) & entrepreneurs in every market
- ❖ the economic analysis of government and politicians (early Public Choice)
- ❖ the private provision of all public goods
- ❖ “**the production of security**” - idea of a “property insurance company” which would charge consumers a “premium” for security
- ❖ impact on MNR’s P&M - theory of “anarcho-capitalism” in 1960s

abusing
tection, that is what
clear of fixed principles.

This is precisely what the tra
kingdom of A. "Highway robbery,
nor bad in itself; that depends
concerned with is to weigh things, a
for the work of weighing. It may
latitude to pillage; perhaps we
examine and balance the account
work of pillage. To those who do
a larger portion of the road. To th
limit the hours, days or months

Those who talk in this wa
moderation, prudence, and good
to the highest offices in the state.

Those who say: Repress all in

Magnificent

This and the next page show
some annotations from MNR's
copies of Bastiat's *Economic
Fallacies* (1944 ed.) and
Molinari's *The Society of
Tomorrow* (1901)

The Society of To-morrow

indefinitely for just so long as governments, charged with guaranteeing national security, maintain their right of unlimited requisition upon the life, liberty, and property of the individual. But set a term to this State of War, assure the security of civilisation by a collective guarantee; let the cost of this insurance to the individual be reduced until it corresponds with the now almost infinitesimal risk; let the premium to be paid against this risk be as easily determined as that in any other class of assurance; and the unlimited right of requisition, based on an unlimited risk, will lose its only justification.

Then, in place of imposts, founded upon this right, enforced on the slave by his master, on the subject by his lord, by the nation upon the individual, and controlled, to-day, by parties having an immediate interest in continually raising the expenses of government—imposts bearing no relation to the services which they are supposed to remunerate, and limited only by the taxable capacity of the taxed; there will arise a system of contributions, each attached to its own naturally collective service. The amount of these contributions will be fixed by contract between the associated con-

Impost and Contribution

sumers and the companies, or firms, producing the service required at a figure which competition will reduce to its lowest point. The impost of to-day devours an ever-increasing proportion of the revenues of the individual; the demands of contribution will be restricted to a minimum, and a minimum which is continually decreasing as each advance in security reduces the costs of production.

Remuneration !!

Gustave de Molinari (1819-1912)



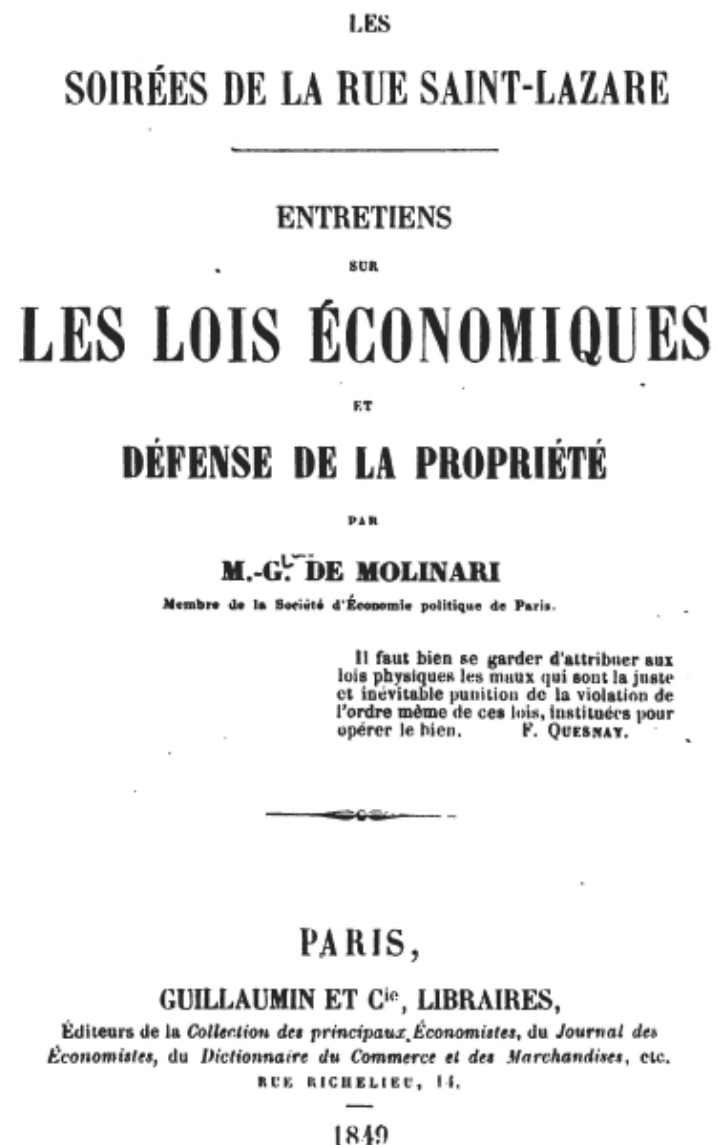
Gustave de Molinari
(1819-1912)

- ❖ 1819-1840: childhood and youth spent in Liège
- ❖ c.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”

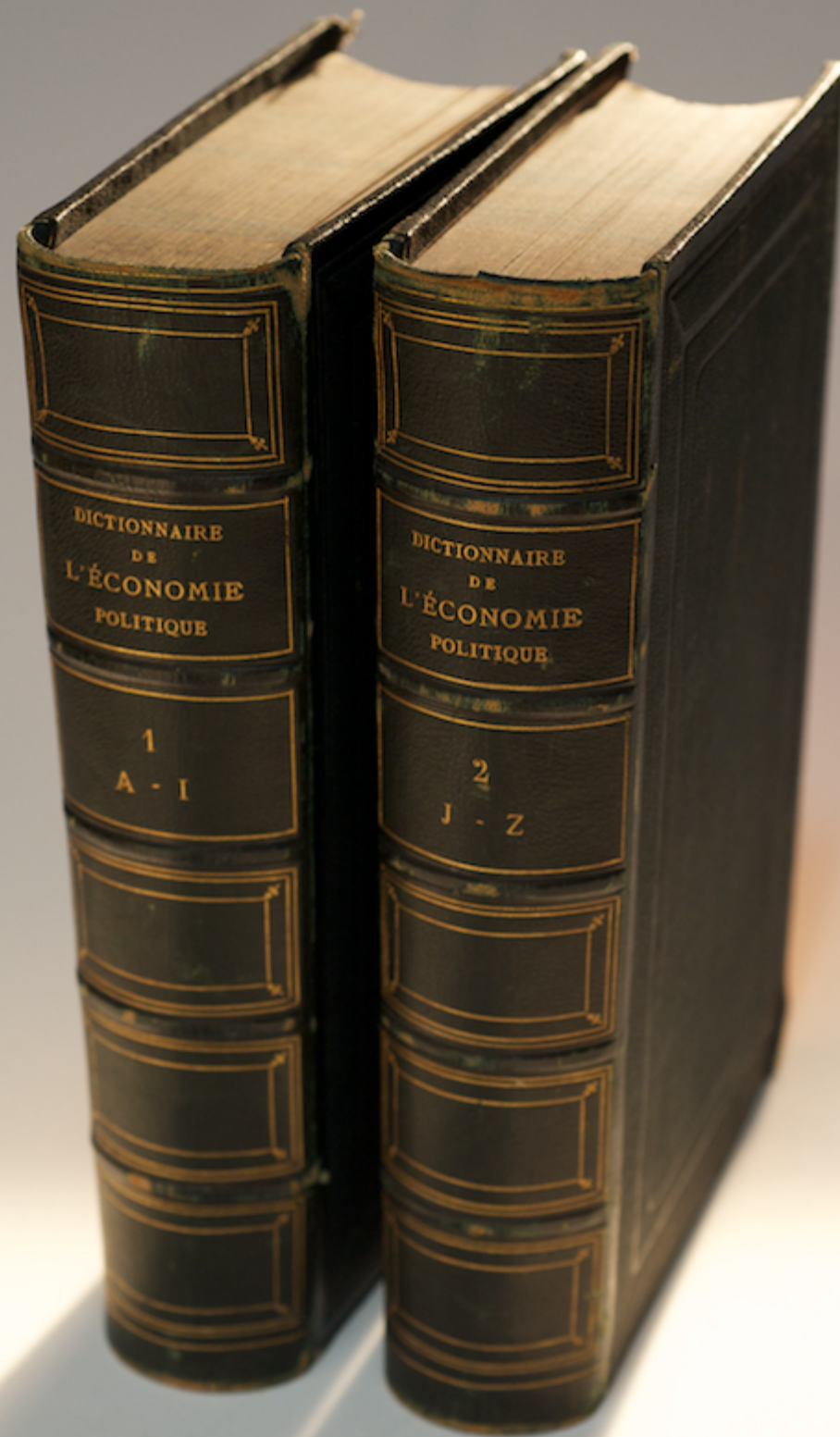
“The Struggle against Protectionism, Socialism, and the Bureaucratic State: The Economic Thought of Gustave de Molinari, 1845-1855”

- ❖ The Intellectual and Political Challenges facing French Classical Liberalism in the 1840s and 1850s
 - ❖ Protectionism - Socialism - the Bonapartist State
- ❖ Key Aspects of Molinari's Economic & Political Thought 1845-1855
 - ❖ The Natural Laws of Political Economy
 - ❖ Property, the Self (le Moi), and the Different Kinds of Liberty
 - ❖ Markets in Everything and Entrepreneurs in Every Market
 - ❖ The Production of Security
 - ❖ Molinari's Theory of Class and the Bureaucratic State
- ❖ Some Other Aspects
 - ❖ Labour Unions, Labour Exchanges, and Labour Merchants
 - ❖ Malthusianism and the Political Economy of the Family
 - ❖ Religious Protectionism and Religious Contraband
 - ❖ Rethinking the Theory of Rent
 - ❖ Molinari and Bastiat on the Theory of Value

Key Works (1845-1855)



- ❖ *Études économiques. L'Organisation de la liberté industrielle et l'abolition de l'esclavage* (1846)
- ❖ *Histoire du tarif*, 2 vols. (1847)
- ❖ two volumes of the *Collection des Principaux économistes* on 18th century economic thought (1847-48)
- ❖ the article “De la production de la sécurité”, JDE, Feb. 1849 and *Les Soirées de la rue Saint-Lazare* (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 matériels* (1852)
- ❖ *Cours d'économie politique*, 2 vols. (1855, 2nd ed. 1863)
- ❖ his second collection of “conversations”, *Conservations familières sur le commerce des grains* (1855).



Dictionnaire de l'économie politique (1852-53)

Contents of Les Soirées (1849) I

- ❖ the natural laws which govern the economy and his theory of property rights - S1
- ❖ internal property: literary, artistic, intellectual property, inventions - S2
- ❖ external property: compulsory purchase by state, mines, public/state property, forests, canals and waterways, spring water - S3
- ❖ the right to transfer property: wills and inheritance laws - S4
- ❖ agriculture and land ownership - S4
- ❖ defense of capital and lending at interest: lending, credit, risk - S5
- ❖ right of association and unions: wage rates - S6

Contents of Les Soirées (1849) II

- ❖ right to trade: critique of protectionism - S7
- ❖ critique of state monopolies: issuing of money, banks, post office, subsidized and public theatres, libraries, subsidies to religion, state education - S8
- ❖ critique of the regulation of commercial activity: banking, bakeries, butchers, printing, lawyers, brokers, prostitution, funeral parlors, cemeteries, medicine, teaching - S9
- ❖ critique of state funded charity and welfare: defence of Malthusian ideas on population, marriage laws and families - S10
- ❖ production of security: private insurance companies, liberty of government, the jury system, nationalism - S11
- ❖ the nature of rent - S12

The Natural Laws of Political Economy

- ❖ “la loi naturelle de l’économie des forces ou du moindre effort” (the natural law of the economising of forces, or of the least effort)
- ❖ “la loi naturelle de la concurrence” (the natural law of competition) or “la loi de libre concurrence” (the law of free competition)
- ❖ “la loi naturelle de la valeur” (sometimes also expressed as “la loi de progression des valeurs”) (the natural law of value, or the progression of value)
- ❖ “la loi de l’offre et de la demande” (the law of supply and demand) which he also sometimes called “la loi des quantités et des prix” (the law of supply and prices)
- ❖ “la loi de l’équilibre” (the law of economic equilibrium) - which is Molinari’s version of Bastiat’s theory of Harmony,
- ❖ “Malthus’ law of population growth”

The Different Kinds of Property

- ❖ “la liberté de l’héritage” (the liberty of inheritance - the freedom to make a will) (S4)
- ❖ “la liberté des communications” (the liberty of communications - freedom of speech, (of both information and goods)) (S6)
- ❖ “la liberté de mouvement” (the liberty of movement - the freedom of movement (of both people and goods)) (S6)
- ❖ “la liberté du travail” (the liberty of working) (S11)
- ❖ “la liberté des échanges” (the liberty of exchanging - free trade) (S7)
- ❖ “la liberté de l’enseignement” (the liberty of education - freedom of education)
- ❖ “la liberté des banques” (the liberty of banking - free banking) (S8)
- ❖ “la liberté de gouvernement” (the liberty of government, i.e. the competitive provision of security in the free market) (S11)
- ❖ “la liberté du commerce” (the liberty of commerce - another way of saying free trade) (S12)

Markets in Everything and Entrepreneurs in Every Market I

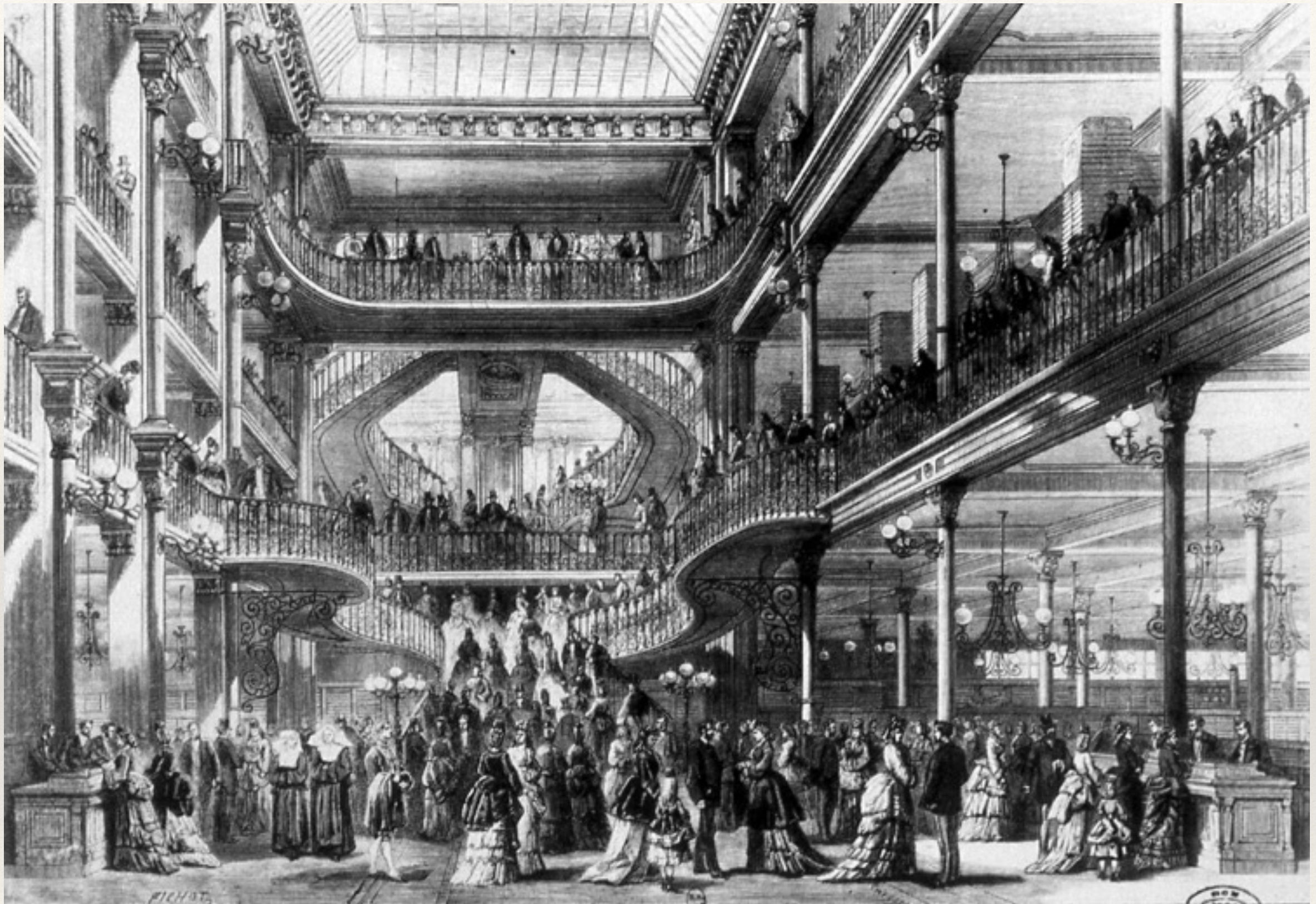
a trinity of “producers”, “consumers,” and “entrepreneurs” for all goods and services

generic sense:

- ❖ “entrepreneurs d'industrie” (industrial or manufacturing entrepreneurs),
- ❖ “entrepreneurs de production” (manufacturing entrepreneurs),
- ❖ “entrepreneurs ou directeurs d'industrie” (entrepreneurs or directors of industrial enterprises)

completely new kinds of entrepreneurs in monopolized or highly regulated industries:

- ❖ “entrepreneurs de roulage” (entrepreneurs in the haulage business)
- ❖ “entrepreneurs de diligences” (entrepreneurs in the coach or cab business)
- ❖ “entrepreneur de pompes funèbres” (entrepreneurs in the funeral business)
- ❖ “entrepreneurs d'éducation” (entrepreneurs in the education business)
- ❖ “entrepreneurs d'industrie agricole” (entrepreneurs in the agriculture industry)



**Creation of “Au Bon Marché” department stores by
Aristide and Marguerite Boucicaut (1852)**

Markets in Everything and Entrepreneurs in Every Market II

radically new kinds of entrepreneurs:

- ❖ “entrepreneurs de prostitution” (entrepreneurs in the prostitution business)
- ❖ “self-made” entrepreneur, “le laborieux entrepreneur, naguère ouvrier” (entrepreneur who has emerged from the working class)
- ❖ “producteur de sécurité” (producer of security) who might be “un simple entrepreneur” (a simple entrepreneur) in a small town or “un nouvel entrepreneur, ou à l'entrepreneur voisin” (a new entrepreneur or an entrepreneur from a neighbouring town)
- ❖ “les entrepreneurs de population” (entrepreneurs in the population industry) such as “l'association conjugale” (the conjugale business or partnership, i.e. the family)

State Producers of Security



**Honoré Daumier, "Enfoncé les
bons gendarmes"
(Not much left of the proud
police) (Aug. 1830)**

“The Production of Security” I

- ❖ article on electoral reform: “Le droit électoral” *Courrier français*, 23 juillet 1846
 - ❖ likened the state to “**une grande compagnie d'assurances mutuelles**” (a large mutual assurance company)
 - ❖ taxes to “**charges de l'association**” (membership dues)
 - ❖ the taxpayers to “**un actionnaire de la société**” (a shareholder in the company)
- ❖ review of Adolphe Thiers’ book *On Property* (1848) in JDE January 1849
 - ❖ Thiers likened society to “**une Compagnie d'assurance mutuelle**” where citizens should **pay according to the risk they bore and the amount of property** which they wished to insure
 - ❖ a flat rate of 10% imposed on all income and the value of all property owned

“The Production of Security” II

- ❖ article “The Production of Security” in JDE Feb. 1849
 - ❖ the **simile** becomes reality
 - ❖ **entrepreneurs in “l'industrie de la sécurité”** (the security industry)
 - ❖ set terms and conditions in advance
 - ❖ charge “**premiums**” based upon the risks involved and the value of their property being protected
- ❖ Chap. 11 in *Les Soirées* (Sept. 1849)
 - ❖ now part of broader argument of privatizing all public goods
 - ❖ introduces idea of an actual insurance company providing security: “**ces compagnies d’assurances sur la propriété**” (these property insurance companies)
 - ❖ competitors set up “**facilités mutuelles**” (joint or shared offices) in order to keep costs down

The Economic Analysis of Government I

- ❖ in later works GdM turns to the economic analysis of government in general
- ❖ “**La Consommation publique**” (Public Consumption) in the *Cours d'économie politique* (1855)
 - ❖ “la liberté de gouvernement” (the liberty of government)
 - ❖ “**concurrence politique**” (political competition, or competing governments)
 - ❖ “**le marché politique**” (the political marketplace) in which politicians bought and sold favours in order to get or to stay in power
 - ❖ he thought **governments** were “**anti-économique**” (acted contrary to economic laws)

Governments are “anti-économique” I

“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.

Governments are “anti-économique” II

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).”

The Economic Analysis of Government II

- ❖ develops theory of the **evolution of political and economic organisations** in *L'Évolution politique* (1884)
 - ❖ if it was unlikely the private provision of security could be established now, it will come about as a result of evolution
 - ❖ final end point was “**la liberté de government**” (the liberty of government)
 - ❖ theory of how law changes by a voluntary process
 - ❖ likelihood of **political fragmentation** into smaller units via secession (US example)

Is Molinari a Real Anarcho-Capitalist?

- ❖ says little 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)
- ❖ some hints in *Cours* (1855)
 - ❖ the multiplication and diversification of **new legal “appareils”** (devices, apparatus) which would spring up to solve disputes (“contestations continuelles”) involving property rights
 - ❖ legal process of dispute resolution “**une justice ad hoc**” (ad hoc justice)
- ❖ in *Évolution politique* (1884) discusses evolving societies and laws (very Spencerian analysis)

The Evolution of Institutions and Laws

“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 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.”

King Louis Philippe and the French State



Honoré Daumier, "Gargantua" (1831)

Molinari's Theory of Class and the Bureaucratic State I

- ❖ GdM goes back and forth between three different theories of the state: destructive, plunderous / redistributive, interventionist
- ❖ the destructive state: a “**pathological or medical theory of the state**” as a disease, wound, or cancer which destroys its host
 - ❖ the “parasitical”, “ulcerous,” “leprous” state
 - ❖ the economist is the surgeon who must cut out the dead or cancerous flesh from the social body in order to save its life
 - ❖ in *Les Soirées*, article “Nation” in *DEP* (1852)
- ❖ a **criminal theory of the state** as “plunderer and robber”
 - ❖ similar to Bastiat's theory of plunder
 - ❖ wealth is not destroyed but transferred to another party
 - ❖ clash of producers vs non-producers
 - ❖ taken up by Ambroise Clément who developed an historical taxonomy of legal plunder (July, JDE)

The Second Republic



Honoré Daumier,
"La République"
(1848)

Molinari's Theory of Class and the Bureaucratic State II

- ❖ the new **Bonapartist state** of “budget eaters” and “interventionists”
 - ❖ the classes which benefited from government subsidies or government jobs in the bureaucracy had become “des mangeurs de taxes” (tax-eaters) who lived parasitically off the “des payeurs de taxes” (tax-payers)
 - ❖ Napoléon's “party of order” had two components, an external component of elected Deputies and their supporters in the subsidised and protected industries and the large agricultural producers, and an internal component made up of a coalition of bureaucratic administrators and members of the military
 - ❖ Molinari warns of a **new kind of bureaucratic “God-Government** which regulates everything

Louis Napoléon - “The Socialist Prince-President”



Amédée de Noé, dit Cham, "Ce qu'on appelle des idées nouvelles en 1848" (1848).

Napoléon III - “The Vulture”



Paul Hadol “The Imperial Menagerie. Napoleon III The Vulture (Cowardliness - Ferocity)” (c.1870)

The new “God-Government” of the Prince-President (soon to be Napoléon III)

“... a government acting like God. This God-Government uses two things to accomplish its task: first it **regulates the liberty and property** of individuals in the supposed interest of the general welfare, by following the ideas which spring from its supposedly greater intelligence, then it **seizes control of certain branches of industry**, and it **subsidizes or protects others**, all at the cost of the community.”

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"That's all folks!"

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