

MISES ON FASCISM, DEMOCRACY, AND OTHER QUESTIONS

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No one could have admired and respected Ludwig von Mises more than did Murray Rothbard, who dedicated his *magnum opus* in economic theory, *Man, Economy, and State*, to his great mentor. Yet Rothbard did not shy away from criticizing Mises when he believed such criticism to be called for. Thus, in *The Ethics of Liberty*, Rothbard subjects Mises's utilitarian liberalism to a searching critique, concluding that it is ultimately incapable of serving as the intellectual foundation for a free society.¹

It is in this Rothbardian spirit of respectful engagement with the thought of Ludwig von Mises that this paper, dealing with a few key issues of politics raised by Mises's *Liberalism*, is offered.

I. Introduction

Ludwig von Mises's exposition of liberal social and political philosophy, *Liberalism*,² is noteworthy for a number of reasons. In the first place, there can be little doubt that Mises was the premier liberal thinker of the twentieth century.³ Second, *Liberalism* is Mises's most systematic attempt "to present a concise statement of the essential meaning" of his social philosophy, and to restate liberalism for the contemporary world.⁴ Moreover, as will be seen,

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¹ Murray N. Rothbard, *The Ethics of Liberty* (Atlantic Highlands, N.J.: Humanities Press, 1982), pp. 205-212.

² First published as *Liberalismus* (Jena: Gustav Fischer, 1927); the first edition in English was titled (on Mises's suggestion), *The Free and Prosperous Commonwealth*, Arthur Goddard, ed., Ralph Raico, trans. (Princeton, N. J.: Van Nostrand, 1962). In its second edition, the English version was titled, *Liberalism: A Socio-Economic Exposition*, with a foreword by Louis M. Spadaro (Kansas City, Mo.: Sheed, Andrews and McMeel, 1978). The third edition, with a preface by Bettina Bien Greaves, carried the title, *Liberalism. In the Classical Tradition* (Irvington, N.Y.: Foundation for Economic Education and San Francisco: Cobden Press, 1985). Citations in the text will be from the 1978 edition.

³ F. A. Hayek, for instance, noted, in *The Fortunes of Liberalism: Essays on Austrian Economics and the Ideal of Freedom*, Peter G. Klein, ed., vol. 4 of *The Collected Works of F. A. Hayek* (Chicago: University of Chicago Press, 1992), p. 127, that already with the publication of Mises's *Socialism* (1922), Mises was marked as "the leading interpreter and defender of the free enterprise system." Milton Friedman has stated, in "Say 'No' to Intolerance," *Liberty*, vol. 4, no. 6 (July, 1991), p. 18, that "Ludwig von Mises has done more to spread the fundamental ideas of free markets than any other individual." This was, however, in the course of a critique of Mises's "intolerance."

⁴ Mises, *Liberalism*, p. 3. F. A. Hayek characterized the book as "rather hastily written," and also states that it was "less successful" than *Socialism*, hardly a major criticism. F. A. Hayek, *Fortunes of Liberalism*, p. 145

Mises's presentation raises a number of highly important problems regarding his version of the liberal doctrine.

Mises's starting point is itself rather remarkable:

The program of liberalism, therefore, if condensed into a single word, would have to read: *property*, that is, private ownership in the means of production . . . All the other demands of liberalism result from this fundamental demand.⁵

Here Mises's position stands in stark contrast to a much more famous treatment of the subject, published two years before, *History of European Liberalism*, by the Italian philosopher Guido de Ruggiero. In what became a standard work, de Ruggiero chose to deal with liberalism in an "idealistic" fashion, limiting his treatment of its economic aspect to a few hostile and pedestrian remarks.⁶

In English-speaking countries, Mises's approach goes against the grain of the venerable tradition traceable to John Stuart Mill's *On Liberty*. In that perhaps presumptuously titled work, so far from expanding the field of free action, Mill fundamentally restricts it to freedom of opinion and of "experiments of living." Some areas of more urgent concern to the majority of mankind — such as the freedom to practice the traditions and customs of one's community without interference from an "improving" state bureaucracy — are treated with disdain. Others, such as economic freedom, are deliberately classified as outside the limits of discussion, e. g., "the principle of individual liberty is not involved in free trade."⁷ More than anyone else, it was the "muddle-headed Mill," as Murray Rothbard aptly termed him,⁸ whose great influence has produced the present-day's conceptual morass, with the obliteration of any distinction between liberal and social democrat.

Following in Mill's footsteps, many expositors of the liberal idea have deemed it possible to discuss the subject largely ignoring property rights. This they have viewed as the higher, more ethically elevated road, a choice which has the advantage of not miring the would-be liberal in any embarrassing defense of the rights of property owners. Such is the case, for example, with the most famous contemporary English liberal, Isaiah Berlin. A critic of liberalism has shrewdly noted how, in his celebration of Benjamin Constant, Berlin focuses on Constant's championing of intellectual freedom and

⁵ Mises, *Liberalism*, p. 19, emphasis in the original.

⁶ Guido de Ruggiero, *The History of European Liberalism*, R. G. Collingwood, trans. (1927) (repr. Gloucester, Mass.: Peter Smith, 1981). The original Italian edition dates from 1925. De Ruggiero's consistently antagonistic attitude toward economic liberalism is reflected in his assault on Bastiat. According to Ruggiero, the works of the French liberal "very properly became a butt for the satire of Socialists," since in them "the hostility towards the State which marks the earlier Liberalism finds . . . a singularly crude and grotesque expression." (p. 187)

⁷ John Stuart Mill, *On Liberty*, Gertrude Himmelfarb, ed. (London: Penguin, 1985), p. 164.

⁸ See the refreshingly irreverent treatment of the "dithering" Mill, in Murray N. Rothbard, *Classical Economics*, vol. 2 of *An Austrian Perspective on the History of Economic Thought* (Aldershot, Eng.: Edward Elgar, 1995), pp. 277-295. Rothbard in particular scorns Mill's celebrated capacity for intellectual "synthesis" for producing "rather a vast kitchen midden of diverse and contradictory positions." (p. 277) A good example of this trait in Mill is his assertion of the great desirability of "possess[ing] permanently a skillful and efficient body of functionaries — above all, a body able to originate and willing to adopt improvements" (*On Liberty*, p. 185) — this after pages of warning of the many dangers of state bureaucracy.

personal privacy, “discreetly overlooking, or underplaying, Constant’s firm commitment to property power [sic] and a wholly unregulated market.”⁹ Like innumerable other writers, Berlin prefers to carry on his discussion of liberalism in terms of “the value-neutrality of state policy” and “the needs of the human personality.” On this side of the Atlantic, the currently most acclaimed liberal writer, John Rawls, in his major work is able to state that: “Throughout the choice between a private-property economy and socialism is left open . . .”¹⁰

II. Mises and Fascism

Strangely enough, virtually the only context in which Mises’s *Liberalism* has recently been mentioned in the general literature is in connection with the short chapter on “The Argument of Fascism.” Here Mises declares:

It cannot be denied that [Italian] Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history.¹¹

This and a few similar passages from Mises’s writings have given rise to harsh criticism from some Marxist writers. In a 1934 article, republished in 1968, Herbert Marcuse cited this passage in an attempt to show the fundamental congruence of liberalism and fascism.¹² Recently, Perry Anderson has alluded to Mises’s early position on Fascism in a discussion of the “Intransigent Right” in twentieth century political thought. Anderson states:

There was no more outspoken champion of classical liberalism in the German-speaking world of the Twenties [than Mises]. Yet the Austrian political scene, dominated as it was by the conflict between a social-democratic Left and a clerical Right, left little room for this outlook. Here Mises had no hesitation; in the struggle against the labour movement, authoritarian rule might well be required. Looking across the border, he could see the virtues of Mussolini. The blackshirts had for the moment saved European civilisation for the principle of private property: “the merit that Fascism has thereby won for itself will live on eternally in history.” Advisor to Monsignor Seipel, the prelate who ran Austria in the late Twenties, Mises approved Dollfuss’s crushing of labour and democracy in the Thirties, blaming the repression of 1934 which installed a clerical dictatorship on the folly of the Social Democrats in contesting his alliance with Italy.¹³

⁹ Anthony Arblaster, *The Rise and Decline of Western Liberalism* (Oxford: Basil Blackwell, 1984), p. 234 and p. 317, n. 29.

¹⁰ John Rawls, *A Theory of Justice* (Cambridge, Mass.: Harvard University Press, 1971), p. 258. The appallingly anti-individualist implications of Rawls’s system are convincingly demonstrated by Antony Flew, “Annihilating the individual,” in Antony Flew, *Equality in Liberty and Justice* (London: Routledge, 1989), pp. 144-164.

¹¹ Mises, *Liberalism*, p. 51.

¹² Herbert Marcuse, *Negations: Essays in Critical Theory*, Jeremy J. Shapiro, trans. (Boston: Beacon Press, 1968), p. 10.

¹³ Perry Anderson, “The Intransigent Right at the End of the Century,” *London Review of*

The most aggressive critic of Mises on this score has been a German writer on twentieth century economic thought, Claus-Dieter Krohn. In a recently translated work, Krohn asserts that Mises's sympathy for Italian Fascism is attributable to his fear of "the masses' demands for participation in a modern industrial society and the need for collective regulation of potential social conflicts." In citing the passage from *Liberalism* quoted at the beginning of this section, Krohn states that "as early as 1927 Mises detected in Italian Fascism a welcome bulwark against advancing collectivism," suggesting, deceptively, that Mises continued to support Fascism afterwards.¹⁴

Krohn presented a more detailed, and venomous, critique of Mises in an earlier work.¹⁵ Here he states that Mises attained the high point of his influence later in America, "in the phase of the Cold War," when he belonged to the group promoting "the so-called totalitarianism theory," which was "less an analytical theory than an irrational counter-ideology [*Abwehrideologie*]." Mises, in Krohn's view, was always less in the liberal tradition than in the line of the German bourgeoisie that, out of fear of the "'Red Republic' had often sought protection under the wide wings of the authoritarian state":

His conceptions of the social order reduced to an apology for private property necessarily required for their realization an authoritarian complement. Just as the great interest-groups from the end of the thirties revealed a growing interest in Italian corporatism, so Mises also demonstrated in this period not merely latent sympathies for Fascism.¹⁶

Unlike Marcuse and Anderson, Krohn acknowledges that Mises's gratitude to the Fascists was based on their opposition to the Communist threat of

Books, vol. 14, no. 18 (September 24, 1992), p. 8; translated and reprinted with footnotes in, Anderson, "Die eiserne Rechte am Ende des Jahrhunderts. Über Michael Oakeshott, Carl Schmitt, Leo Strauss und Friedrich von Hayek," *Freibeuter*, No. 55 (1993), pp. 17-18. (I am grateful to Professor Anderson for this reference.) Anderson goes on to claim that Mises also attempted an "exculpation of Austria," by incriminating only Germany in the deeds of the Nazis. Anderson quotes from Mises's *Erinnerungen*, (with a foreword by Margit von Mises and introduction by Friedrich August von Hayek [Stuttgart: Gustav Fischer, 1978], p. 91, emphasis in original), where Mises writes of the Austrians that they were "'the *only* people on the European continent who' — in the days of the Heimwehr — 'seriously resisted Hitler.'" (Cf. Ludwig von Mises, *Notes and Recollections*, foreword by Margit von Mises, Hans F. Sennholtz, trans. [South Holland, Ill.: Libertarian Press, 1978], p. 142). On this fairly trivial point, Mises can perhaps be forgiven his Austrian patriotism. On his implicit support for the Austrian government in suppressing the Social Democrats, it should be noted that Mises held, correctly, that Mussolini's "was the only government ready to support Austria in her fight against a Nazi take-over" in 1934 (*Notes and Recollections*, p. 140), and that the Social Democrats' violent opposition to the alliance with Mussolini threatened to lead to a Nazi absorption of Austria (*Notes and Recollections*, pp. 140-141).

¹⁴ Claus-Dieter Krohn, *Intellectuals in Exile. Refugee Scholars and the New School for Social Research*, foreword by Arthur J. Vidich, Rita and Robert Kimber, trans. (Amherst, Mass.: University of Massachusetts Press, 1993), p. 47. In any case, Krohn's statement is — characteristically — misleading, since Mises's remarks pertain to the period 1919-22, before the establishment of the Fascist regime.

¹⁵ Claus-Dieter Krohn, *Wirtschaftstheorien als politische Interessen. Die akademische Nationalökonomie in Deutschland 1918-1933* (Frankfurt a. M.: Campus Verlag, 1981), especially pp. 33-38 and 111-117.

¹⁶ Krohn, *Wirtschaftstheorien als politische Interessen*, p. 37.

the time. He then goes on, however, to misrepresent Mises's position in a paraphrase, stating that Mises believed:

The fascist movements in Germany¹⁷ and Italy are the progressive force of the future, because they alone have found the élan, in the extreme exigency of the situation, to do away with the traditional limits of justice and morality and to be prepared for "bloody counter-actions." Even if from the standpoint of the liberal some excesses must be condemned, these are in any case only momentary "reflex-actions," and committed in the heat of passion. As the initial anger blows away, Fascist policy would "take on a more moderate course and will probably become even more so with the passage of time," for it cannot be denied "that Fascism and similar movements aiming at the establishment of dictatorships are full of the best intentions and that their intervention has for the moment, saved European civilization. The merit that Fascism has thereby won for itself will live on eternally in history."¹⁸

It should be pointed out at once that Mises's alleged reference to the German and Italian fascist movements as "the progressive force of the future" is pure invention on Krohn's part.

It should also be made clear that the passage quoted from Mises occurs in the context of an *attack* on Fascism. Mises criticized and rejected Fascism for its illiberal and interventionist economic program, its foreign policy based on force, which "cannot fail to give rise to an endless series of wars," and, most fundamentally, its "complete faith in the decisive power of violence" instead of rational argument to gain ultimate victory.^{19, 20}

As for Mises's approval of the Fascists at a particular historical juncture, the circumstances that occasioned — and justified — it are today largely

¹⁷ This is only one of many examples of Krohn's outright dishonesty. The common understanding of "German fascism" today, especially in Germany, is National Socialism, or Nazism. Mises, of course, always rejected Nazism in every respect. When Mises referred to the German movement which was similar to Italian Fascism in its violent opposition to Communism, he had in mind the "militarists and nationalists" (*Liberalism*, p. 48) of the first years following World War I in Germany, particularly the *Freikorps*. As Mises presents the situation in *Omnipotent Government* (New Haven, Conn.: Yale University Press, 1944), pp. 198-201, 206-207, the threat of a Bolshevik conquest of Germany in January, 1919 was very real. The German Bolsheviks had risen in armed revolt and were in control of most of Berlin, besides other centers. "But for the nationalist gangs and troops and for the remnants of the old army, they could have seized power throughout Germany. There was but one factor that could stop their assault and that really did stop it: the armed forces of the Right" (pp. 200-201). See also his praise as well as criticism of the *Freikorps* bands, pp. 206-207. Mises's interpretation of the role of the rightist forces in putting down the Communist uprising in 1919 is supported by Hagen Schulze, *Weimar. Deutschland 1917-1933* (Berlin: Siedler, 1982), pp. 180-182.

¹⁸ Claus-Dieter Krohn, *Wirtschaftstheorien als politische Interessen*, pp. 37-38. Typically, Krohn distorts Mises's meaning even where there is no apparent polemical advantage to be gained: in Mises's text, there is no connection between the statements on Fascism's future moderation and its eternal merit, which appear on different pages (49 and 51).

¹⁹ Mises, *Liberalism*, pp. 49-51

²⁰ See also Murray N. Rothbard, "The Laissez-Faire Radical: A Quest for the Historical Mises," *Journal of Libertarian Studies*, vol. 5, no. 3 (Summer, 1981), p. 251, n. 3, for a defense of Mises against Marcuse on this issue.

forgotten. For this reason, and because it raises questions of fundamental importance for liberal theory, the issue merits extended discussion.

While Krohn does at least allude to Mises's reasoning, by referring to his belief in the Communist threat of the time, he does not, of course, do justice to Mises's argument.

Mises begins by pointing out some facts which are perhaps not as well-known today as they deserve to be. Italian Fascism (and to an extent similar movements in other countries, such as the *Freikorps* in Germany) gained prominence in response to a particular challenge. In 1919, Lenin formed the Third, or Communist, International (generally known as the Comintern), constituted of the Communist parties throughout the world and aiming at world revolution. As Mises correctly states, the Comintern parties did not shrink from "the frank espousal of a policy of annihilating opponents."²¹

Already "in December 1917, Lenin had launched a campaign of incitement to terror, encouraging the masses to take the law into their own hands, to 'rob the robbers' (i. e. despoil the landowners and the bourgeoisie), to perpetrate 'street justice' (practice lynch law), against 'speculators' (i. e. black marketeers), and in general to engage in fratricidal class carnage in town and village."²² Grigory Zinoviev, first head of the Comintern, had declared, in 1918, that, if necessary, the Bolsheviks would exterminate 10,000,000 people in Russia.²³ (In the end, the total was considerably higher.) The creation in 1918 of the Cheka — the first incarnation of the Soviet secret police — began the conversion of the Red Terror into a system. This, and economic transformations that wrecked the economy and produced mass-famine, was what the Comintern promised — and expected — to bring to all the nations of Europe, and then the world.²⁴

Soviet Republics had been established, briefly, in Bavaria and Hungary. In 1920, Lenin turned the Polish-Soviet war into a campaign for the conquest and communization of Poland, as a prelude to further expansion.²⁵ He called for the "merciless liquidation of landlords and kulaks," and suggested paying bounties to those who murdered class enemies.²⁶ The Poles, however, stood firm and stopped the Red Army at the gates of Warsaw.

III. The Threat of Socialist Revolution in Italy

Lenin and the other Bolshevik leaders looked on Italy as a particularly promising area for revolution. The Italian Socialist Party (PSI) was controlled

²¹ Mises, *Liberalism*, p. 47

²² George Leggett, *The Cheka: Lenin's Political Police* (Oxford: Clarendon Press, 1981), p. 54.

²³ Ernst Nolte, *Der europäische Bürgerkrieg, 1917-1945. Nationalsozialismus und Bolschewismus* (Frankfurt a. M./Berlin: Propyläen, 1987), pp. 558-559, n. 41.

²⁴ In the summer of 1919, Zinoviev stated: "The movement advances with such a dizzying speed that one can confidently say: in a year . . . all Europe shall be Communist. And the struggle for Communism shall be transferred to America, and perhaps to Asia and other parts of the world." Richard Pipes, *Russia Under the Bolshevik Regime* (New York: Knopf, 1993), pp. 174-175.

²⁵ Pipes, *Russia Under the Bolshevik Regime*, pp. 177-183, 187-193.

²⁶ Pipes, *Russia Under the Bolshevik Regime*, p. 188.

by the “maximalists,” who considered themselves Leninists and looked to the Comintern for ideological direction.

In the program adopted at the sixteenth party congress, held at Bologna in October, 1919, the PSI proclaimed the start of “a period of revolutionary struggle, to bring about the forcible suppression of the bourgeoisie within a short time,” and called for the “armed insurrection of the proletarian masses and proletarian soldiers,” to establish the dictatorship of the proletariat.²⁷ The Socialists declared that “the proletariat must have recourse to the use of violence for the conquest of power over the bourgeoisie . . . we must use new and proletarian organizations such as workers’ soviets, and we must adhere to the Third International.”²⁸

With the general elections of 1919, the PSI became by far the largest party in parliament, as well as the best organized.²⁹ Its spokesmen and agitators announced the coming socialist revolution, and the PSI worked actively to destabilize state institutions, including parliament, as a prelude.³⁰ The party newspaper, *Avanti!*, went so far as to state that “soon all the parties will be eliminated.”³¹ When the left-leaning Francesco Nitti was made prime minister, Antonio Gramsci hailed him as the Kerensky of the impending Italian Communist revolution.³² Today it is often maintained that much of this was bluff and revolutionary posturing, “all bark and no bite.”³³ This was not, however, the view of prominent contemporaries.³⁴

Socialist violence had long been a feature of public life in Italy. Directed

²⁷ Jan Petersen, “Violence in Italian Fascism, 1919-25,” in Wolfgang J. Mommsen and Gerhard Hirschfeld, eds., *Social Protest, Violence and Terror in Nineteenth- and Twentieth-Century Europe* (New York: St. Martin’s, 1982), p. 279. Petersen emphasizes, however, that “de facto nothing had happened to give this rhetoric of revolution and violence a firm base on which to plan and act.” See also Luigi Salvatorelli and Giovanni Mira, *Storia d’Italia nel periodo fascista* (Rome: Giulio Einaudi, 1964), pp. 103-104.

²⁸ Denis Mack Smith, *Italy. A Modern History* (Ann Arbor, Mich.: University of Michigan Press, 1959), pp. 327-328.

²⁹ Smith, *Italy*, p. 327. It is worth noting that in Russia the Bolsheviks had obtained only about 25% of the votes for the Constituent Assembly that met in January, 1918.

³⁰ Philip Morgan, *Italian Fascism, 1919-1945* (New York: St. Martin’s, 1995), p. 11. Morgan also points out that on the leftwing of the Catholic Party (PPI), there were those who joined the struggle on behalf of the “Christian proletariat” (p. 19).

³¹ Domenico Settembrini, *Fascismo: controrivoluzione imperfetta* (Florence: Sansoni, 1978), pp. 125-126 and 125, n. 5.

³² Smith, *Italy*, p. 330.

³³ Smith, *Italy*, p. 328. In a more recent work, *Mussolini* (New York: Knopf, 1982), p. 41, Smith continues to maintain that it should have been obvious that “Italy’s trade unionists and socialists were not of Lenin’s ilk and would never seize control of the state: they were revolutionaries only in name and would be defenceless if the fascist armed squads went into action against them.” Smith adds, concerning widespread public support for Mussolini’s seizure of power in 1922: “Fear of communism can have been only a minor motive as there was no communist threat” (p. 55). This is an astonishing non sequitur for such a distinguished historian to have committed. Leaving aside the question of the reality of a Communist threat, what is more obvious than that it is people’s perceptions and subjective estimations that condition their actions, and not the “objective” situation.

³⁴ Settembrini, *Fascismo*, pp. 125-129, states that the only contemporary who understood the real position of the Socialists in Italy was Mussolini, the ex-Socialist, who composed a sophisticated analysis of the political realities confronting his former comrades.

against employers' property and especially against non-striking workers, it had been systematically practiced by labor unions during industrial disputes. In 1906, Vilfredo Pareto complained that the right to strike had turned into "the freedom, for the strikers, of bashing in the brains of workers who wish to continue to work and of setting fire to the factories with impunity."³⁵ A decade and a half later, the situation had not improved. In one of his last essays, Pareto again protested that the right to strike had come to be understood as including "the ability to constrain others to do so and to punish strike-breakers." All manner of pressure and violence was permitted union strikers, and "justified" as necessary "to promote the strike, to set conditions advantageous to labor, to facilitate 'the ascent of the proletariat,' the transformations demanded by 'modernity.'"³⁶ The only ones left to defend the liberty to work in the present day were, Pareto wrote, "those abominable Manchesterians."³⁷

This endemic union violence — by no means limited to Italy — has virtually disappeared from the commonly held picture of the rise of Fascism (as well as of the history of the twentieth century). The cause of such an "Orwellian" gap in historical consciousness is largely to be sought in the mediating intellectual class which has produced that picture, and which has always been deeply committed to the same pro-union prejudices that Pareto condemned.

Union violence in Italy was not limited to the industrial centers. Systematic violence had already been introduced into large parts of the countryside by the Socialist agricultural unions. A writer sympathetic to the unions has written, of the lands of the Po valley, subject to chronic labor surplus:

By a remarkable *tour de force* [sic], the Socialist peasant leagues had overcome this difficulty in the first two decades of the century. But their achievement had a price. The need to maintain cohesion in the face of the constant threat of blacklegging by unemployed or migrant workers made necessary extremely harsh methods of discipline. Boycotting and violent intimidation were frequent in the "red" provinces.³⁸

The period 1919-1920 is known as the *Biennio Rosso*, "the two Red years." Strikes and demonstrations were conducted in an atmosphere of wild rhetoric and "messianic revolutionary expectations."³⁹ Italy was pounded by a veritable "strikeomania" (*scioperomania*), an incessant series of politically-motivated strikes that claimed many victims killed and wounded.⁴⁰ Socialist excesses in the northern and central countryside and cities, and the lack of any adequate government response, led many to fear an imminent Socialist

³⁵ Vilfredo Pareto, *Manuale di economia politica* (1906) (repr. Padua: Antonio Milani, 1974), pp. 97-98.

³⁶ Vilfredo Pareto, "Il fascismo" (1922), in Vilfredo Pareto, *Borghesia, Elites, Fascismo*, Marcello Veneziani, ed. (Rome: Volpe, 1981), p. 141.

³⁷ Vilfredo Pareto, "Le péril socialiste," (1900) in Vilfredo Pareto, *Libre-échange, protectionnisme et socialisme*, Giovanni Busino, ed. (Geveva: Droz: 1992), p. 328.

³⁸ Adrian Lyttelton, "Fascism and Violence in Post-War Italy: Political Strategy and Social Conflict," in Wolfgang J. Mommsen and Gerhard Hirschfeld, eds., *Social Protest, Violence and Terror*, p. 258.

³⁹ Morgan, *Italian Fascism*, pp. 21-34; Lyttelton, "Fascism and Violence," p. 258.

⁴⁰ Salvatorelli and Mira, *Storia d'Italia*, pp. 127-135, 148-149.

takeover.

Membership in the Socialist agricultural union, the *Federterra*, surged; by 1920, it had recruited close to a million members. Its ultimate aim was to collectivize all the farm land, which would be worked by co-operatives of laborers. One strike in July, 1920, involving most of the farm workers of Tuscany, ended with a contract which the landowners felt “destroyed the very viability of the commercialized sharecropping system.” What the employers especially resented was the *Federterra*’s “demand to control the supply of labour and employment.” In the end the employers were forced “to recognize the employment offices run by the *Federterra* as the exclusive source of the supply of labour, and . . . year-round employment quotas [were imposed] on all farmers, large and small . . .”⁴¹ As one historian has recently written:

An absolute labour monopoly was so crucial yet so precarious in the overpopulated countryside, that it could only be maintained by the discipline and control of the whole agricultural sector, including small peasants who had to be prevented from exchanging labour and thereby avoiding the quota. The system had to be watertight to function at all. This accounted for the coercive aspects of the leagues’ attempts to secure and retain the labour monopoly, through fining, boycotting, and sabotaging the crops, livestock, and property of those farmers employing non-union labour and those “blackleg” workers who agreed to work for them.⁴²

Another historian states that violence against employers and non-strikers “often extended to an intolerance of political or religious dissent. . . . Even where the local [Socialist] leadership professed reformist principles, their methods of control were scarcely compatible with the bourgeois liberal order.”⁴³

In July, 1920, representatives of the Italian General Confederation of Labor (CGL) signed a pact in Moscow, adhering to the aim of social revolution and the universal republic of soviets.⁴⁴ In September, workers in Milan, Turin, and Genoa hoisted the Red Flag, seized control of the factories, and proceeded to try to run them. “In order to protect the experiment, the works were put in a state of defense, with Red Guards and, in some cases, barbed wire and machine guns.”⁴⁵ The Socialist unions demanded control of employment and challenged the owners’ direction of production. In Turin, workers’ councils were formed, which Antonio Gramsci and other Communist intellec-

⁴¹ Morgan, *Italian Fascism*, pp. 25-26. See also Alexander De Grand, *Italian Fascism: Its Origins and Development* (Lincoln, Neb.: University of Nebraska Press, 1982), pp. 28-29.

⁴² Morgan, *Italian Fascism*, p. 26. Cf. another historian sympathetic to the Socialist unions, Adrian Lyttelton writes, in *The Seizure of Power. Fascism in Italy, 1919-1929* (New York: Scribner’s, 1973), pp. 62-63: “The discipline of the [Socialist] leagues, in order to avoid blacklegging, had been extremely harsh; and many individual workers had suffered.” Cf. also Settembrini, *Fascismo*, p. 154: “The Socialist leagues in fact based their power on the monopoly of manual labor, exercised through harassment whether of the landed proprietors, large and small, and even the share-croppers and tenant farmers, or of the laborers themselves.”

⁴³ Lyttelton, “Fascism and Violence,” pp. 258-259. See also Anthony James Joes, *Mussolini* (New York: Franklin Watts, 1982), pp. 168-170.

⁴⁴ Salvatorelli and Mira, *Storia d’Italia*, p. 152.

⁴⁵ Salvatorelli and Mira, *Storia d’Italia*, p. 152.

tuals hailed as the Italian version of the Russian soviets.⁴⁶

The local elections of November, 1920 put control of nearly one-third of communal and half of all the provincial councils in the hands of the PSI. Since Socialist influence in the south was minimal, this amounted to virtual Socialist domination of many of the northern and central districts, especially in Tuscany, Emilia, and the Romagna. Sometimes declaring their towns revolutionary “republics,” the local Socialists “announced their intention to use the communes as a springboard for revolution.”⁴⁷ “Socialist councils used their powers to raise taxes on wealth and property, increased spending on public services, favoured workers’ co-operatives in municipal contracts, and subsidized consumer co-operatives to undercut the private retail and distribution trades.”⁴⁸

Millions in the middle classes became convinced that Bolshevism was on the point of overwhelming the country. A historian of Italian Fascism writes:

It retrospect such fears seemed exaggerated, and many historians have challenged the “myth” that Fascism “saved Italy from Bolshevism.” But in late 1920, after the propertied classes had suffered disastrous economic and political defeats in north and central Italy, this was exactly the perception of recent events. At a local and provincial level, the Socialist revolution was being inaugurated; it was already under way.⁴⁹

Meanwhile, the government vacillated. A decree of 1919 permitted “temporary occupation of uncultivated land,” which had the predictable effect of provoking more occupations. The government officially assumed a posture of “neutrality” in labor disputes, which meant scant protection for the rights of property or of non-striking workers. In the seizure of the factories, the government refused to use force to evict the workers, and in fact supported their right to share in running the factories.⁵⁰

IV. The Fascist Reaction

The *Biennio Rosso* provided the occasion for the spectacular rise of the Fascist movement, which until then had lacked focus and support. It is astonishing but symptomatic that the torrent of Socialist violence goes

⁴⁶ Morgan, *Italian Fascism*, pp. 27-28.

⁴⁷ Lyttelton, “Fascism and Violence,” p. 259.

⁴⁸ Morgan, *Italian Fascism*, p. 27. Maffeo Pantaleoni noted, in his *Bolcevismo italiano* (Bari: Laterza, 1922), p. xxxvi, that the Socialist administration in Milan even raised a loan in the United States, “in order to eat up even the future revenue of the taxpayers.”

⁴⁹ Morgan, *Italian Fascism*, p. 27. The same author states: “Socialism provided the platform for the counter-reaction of Fascism. It created the fears on which Fascism grew, and almost literally set the stage for Fascism” (p. 34). Cf. F. L. Carsten, *The Rise of Fascism* (Berkeley: University of California Press, 1967), p. 55: “It is thus somewhat superficial to consider the fears of the middle classes unjustified and exaggerated. In retrospect they certainly were, but at the time the middle classes’ existence seemed at stake, and the Bolshevik danger appeared very real.” See also the arguments of a liberal Fascist, that Fascism prevented a Communist takeover, in Agostino Irace, *Arpinati—l’oppositore di Mussolini* (Rome: Bulzoni, 1970), pp. 41-45.

⁵⁰ Lyttelton, *The Seizure of Power*, p. 38; Salvatorelli and Mira, *Storia d’Italia*, pp. 40-41.

unmentioned in a biography of Mussolini by Denis Mack Smith, of All Soul's College, Oxford, the doyen of Anglophone historians of modern Italy.⁵¹

The great increase in Fascist membership and influence came initially in the rural areas, where Fascist squads (*squadri*) were formed. (This element of the Fascist movement is referred to as *squadrismo*.)

The [Fascist] squads were gangs of mainly middle-class young men, many of whom had served as lower-rank officers during the war.

They were university and secondary school students, sons of the professional people, local traders, officials, businessmen and farmers who supported or sympathized with Fascism's drive against socialism.⁵²

The Socialist program had alienated even many sharecroppers and tenant farmers who, together with other agrarians and local businessmen, financed and equipped the Fascist *squadri*. Especially in the Po valley, the *squadri* were often supported and joined by "peasant proprietors, leaseholders and sharecroppers," as a defensive measure against the Socialists' mobilization of the day-laborers and their long-range goal of collectivization of the land.⁵³ Farmers and local businessmen complained of the failure of the government to protect their property; for them, supporting the *squadri* was "a kind of middle-class self-help."⁵⁴ In Carrara, where the local Socialist authorities threatened outright expropriation of the marble quarries, the squads very forcefully disrupted their plans. In Genoa, the squads, largely composed of non-union workers, broke the union monopoly over the docks, winning the acclaim of the workers who had been excluded.⁵⁵

The counter-actions of the *squadri* were by no means merely defensive in any narrow sense. Instead, they undertook a successful campaign of violence to root out the Socialist "infrastructure." Applying physical force that their opponents could not match, the Fascists destroyed Socialist-run town halls, union headquarters, newspapers, and "cultural centers."

⁵¹ See Smith, *Mussoline*, pp. 35–56, including his statement (p. 36) that the Socialists were "essentially pacifists." However, in an earlier work, *Italy*, p. 348, he asserted: "Socialist counterviolence [sic] in the countryside was equally horrible and inexcusable." Cf. Petersen's conclusion, "Violence in Italian Fascism," p. 278: "the fact is that the violence of Left and Right existed both successively and simultaneously, that its causes and justifications are inextricably tangled, constitutes a very singular feature which so far has not been adequately studied." In a remarkably uninformed piece in the *New York Times Book Review*, Feb. 25, 1996, pp. 14–15, John Gray treats European fascism with no mention of the Communist threat; instead, he finds room to discuss the followers of Herbert Spencer and Albert Jay Nock as dangers to present-day democracy.

⁵² Morgan, *Fascism*, p. 50.

⁵³ Cf. Lyttelton, "Fascism and Violence," p. 267: "Here it is impossible to overlook the contribution of socialist violence to the genesis of agrarian squadrismo. In Ferrara at least it was the small [anti-Socialist] leaseholders who were most in danger of their lives . . ." The Socialists even attacked members of the Catholic peasant organizations. Salvatorelli and Mira, *Storia d'Italia* (p. 171), point out that in the Po valley many older landowners, fearing the Socialists, had sold out to tenants and share-croppers: "in defending the possessions they had finally acquired, with the rights and interests attached to them, the new proprietors displayed a combativeness unknown to their predecessors."

⁵⁴ Morgan, *Fascism*, p. 56; Lyttelton, *The Seizure of Power*, pp. 37, 60-61.

⁵⁵ Lyttelton, *The Seizure of Power*, pp. 70-71.

The Fascists can, it goes without saying, be sharply and legitimately criticized on a number of counts, including their violent excesses and their ultimate program. It is odd, however, to read in a standard history of their coming to power of “the sordid facts behind *squadrismo*,” namely, its “dependence on official police connivance and funds from industrialists or agrarians.”⁵⁶ It is difficult to see what exactly was “sordid” about property-owners resorting to the only means open to them to safeguard their rights. Such rebukes — and they are routine — bring to mind the French saying:

*Cet animal est très méchant;
Quand on l'attaque il se défend.*
This animal is very malicious;
When attacked it defends itself.⁵⁷

V. The Italian Economists and Fascism

How to maintain liberal principles in the face of a radical-socialist movement threatening the foundations of the social order — above all, private property — had troubled liberals in central and eastern Europe in the later nineteenth century. Confronted with a rising socialist party in a German Reich where the Reichstag was elected by universal manhood suffrage, John Prince-Smith, the founder of the German free-trade movement and its leader for over three decades, ended as an advocate of the military-authoritarian state.⁵⁸ In Russia, Boris Chicherin, distinguished legal historian and social philosopher and the leading liberal of his time, declared: “At the sight of this communist movement nothing remains for the sincere liberal but to support [Tsarist] absolutism . . .”⁵⁹ In the crisis produced by radical socialism in Italy, liberals — including notables like Benedetto Croce and Luigi Albertini — reacted similarly, welcoming Fascism to one degree or another.⁶⁰ Among

⁵⁶ Lyttleton, *The Seizure of Power*, p. 54.

⁵⁷ Kate Louise Roberts, ed., *Hoyt's New Cyclopaedia of Practical Quotations* (New York: Funk and Wagnalls, 1940), p. 30. I am grateful to Dr. David Gordon for this reference. Cf. Salvatorelli and Mira, *Storia d'Italia*, p. 177: “Many of the bourgeoisie, especially the young and war veterans” came to believe that “the neutrality of the government in the class conflict... had rendered it incapable of guaranteeing respect for the law and the constituted order, and turned to fascism.” By 1921, Pantaleoni, *Bolcevismo italiano*, p. 108, was exulting that the Fascist counter-attack had demonstrated how “discredited is by now the theory that the [Italian] bourgeoisie, like the French aristocracy of 1789, would on its own climb into the wagon carrying it to the guillotine.”

⁵⁸ John Prince-Smith, “Der Staat und der Volkshaushalt,” *Gesammelte Schriften*, vol. 1, Otto Michaelis, ed. (Berlin: Herbig, 1877), pp. 133-200. The first important liberal thinker to have evolved into a supporter of an authoritarian state under the perceived threat of socialism may well have been Charles Dunoyer; see Edgard Allix, “La déformation de l'économie politique libérale après J.-B. Say: Charles Dunoyer,” *Revue d'histoire des doctrines économiques et sociales*, vol. 4, no. 2 (1911), pp. 115-147.

⁵⁹ Victor Leontovitsch, *Geschichte des Liberalismus in Russland* (Frankfurt a. M.: Klostermann, 1957), p. 142.

⁶⁰ Ulisse Benedetti, *Benedetto Croce e il fascismo* (Rome: Volpe, 1967); Philip V. Cannistraro, ed., *Historical Dictionary of Fascist Italy* (Westport, Conn.: Greenwood, 1982), s. v. “Croce, Benedetto,” and “Albertini, Luigi.” Smith, *Italy*, pp. 360-361, professes to be baffled by this general support for the early Fascist movement by Italian liberals; it shows, he

the more enthusiastic supporters of the Fascist movement were the Italian liberal economists.

In his *History of Economic Analysis*, Joseph Schumpeter wrote:

The most benevolent observer could not have paid any compliments to Italian economics in the early 1870s; the most malevolent observer could not have denied that it was second to none by 1914.⁶¹

Most of the distinguished Italian economists Schumpeter had in mind were, politically speaking, classical economic liberals, or, in the Italian terminology, *liberisti*.⁶²

A small but prestigious and in some ways influential economic-liberal movement had existed in Italy throughout the nineteenth century. In the later decades of the century, the writers in this camp were harsh critics both of the interventionist Italian state, with its corrupt support of capitalist special interests at the expense of taxpayers and consumers, and of the incipient socialist movement.

With the Leninist turn of the PSI after the First World War and the emergence of the Fascist movement, the liberal economists began openly to side with the latter. A particularly distinguished member of the group was Maffeo Pantaleoni, of whom Hayek wrote that he was the author of “one of the most brilliant summaries of economic theory that has ever appeared.”⁶³ Pantaleoni, the longtime friend of Vilfredo Pareto, to whom he introduced the writings of Walras, was among Fascism’s earliest and most fervent supporters. “If it had not been for Fascism,” he wrote, “Italy would have suffered not merely an economic and political catastrophe, but rather a catastrophe of its very civilization.”⁶⁴

claims, that they “put riches and comfort before liberty.” Given that the liberals thought that Italy might very well be on the verge of a Leninist revolution, it is amazing how little historical *Verstehen* for the motives of the Italian liberals Smith displays in his puerile “analysis.”

⁶¹ Joseph Schumpeter, *History of Economic Analysis*, Elizabeth Boody Schumpeter, ed. (New York: Oxford University Press, 1954), p. 855.

⁶² Italian appears to be the only language in which a distinction can be drawn between *liberale*, *liberalismo* (liberal, liberalism), on the one hand, and *liberista*, *liberismo* (economic liberal, economic liberalism), on the other.

⁶³ F. A. Hayek, “Hermann Heinrich Gossen,” in F.A. Hayek, *The Trend of Economic Thinking. Essays on Political Economists and Economic History*, W. W. Bartley III and Stephen Kresge, eds., vol. 3 of *The Collected Works of F. A. Hayek* (Chicago: University of Chicago Press, 1991), p. 360. Hayek had in mind Pantaleoni’s *Principii di economia pura* (1889). Schumpeter, too, had a high opinion of this work, as of Pantaleoni’s contributions in general. He endorsed Edgeworth’s judgment that the *Principii* was a “gem,” and wrote that Pantaleoni “understood ‘pure theory’ as few people ever did.” Joseph Schumpeter, *History of Economic Analysis*, p. 857 and p.857n 4.

⁶⁴ Pantaleoni adds: “I say: a catastrophe of the Russian or Hungarian kind, because with us it would have been even graver, by reason of the enormous density of our population.” Italy was saved from the “destructive hurricane” of Bolshevism “only by Fascism and by the heroism of the Fascists who died *pro libertate Patriae* in the struggle of civil war.” *Bolcevismo italiano*, pp. vii-viii, xxxi (emphasis in original). On Pantaleoni’s politics, see the *Enciclopedia Italiana*, s. v. “Pantaleoni, Maffeo,” and Umberto Ricci, *Tre economisti italiani. Pantaleoni, Pareto, Loria* (Bari: Laterza, 1939), pp. 15-16, 25, where Pantaleoni is referred to as a “friend of Mussolini and of Fascism” (p. 15). It should be noted that Pantaleoni’s position was

The most famous (or notorious) liberal supporter of Fascism, Pareto himself, was by no means the most committed. Yet in the end he endorsed the Fascist takeover, and a year before his death, permitted Mussolini to appoint him to the Senate.

At the beginning of his career as an economist, Pareto was, ideologically, a crusading liberal doctrinaire, an Italian version of the *Journal des Économistes* writers like Gustav de Molinari, with whom he was in close contact (and whom he addressed as *cher maître*). In fact, Pareto contributed frequently to the Parisian journal, the flagship of the *laissez-faire* idea in Europe, and even occasionally to *Liberty*, the organ of the American individualist anarchist movement headed by Benjamin Tucker. Pareto revealed his early idealistic motives to his friend Pantaleoni: “What is the use even if we advance economic science, if then we are alone, the few of us, to know the truth? Isn’t it our duty to have others know it as well? To strive, so that justice vanquishes the corruption and injustice that oppresses us?”⁶⁵ His chief animus was reserved for the thieving interventionist establishment, while he expressed admiration for the courage and sincerity of the young Italians who were becoming converts to socialism. During the persecution of the left by the Italian government in the late 1890s, he personally assisted socialist refugees in his home in Lausanne (as Pantaleoni did in Geneva).⁶⁶

But Pareto soon began to grow skeptical of the good faith of the socialists. Even while the Italian government was oppressing socialists, in Geneva socialist-led workers, including many Italians, were physically assaulting workers who refused to join a strike of masons: “The socialist gentlemen in Italy ask only for liberty; here [in Switzerland] they have it, and look at them becoming the tyrants. They cease being victims only to become persecutors. . . . the violent acts of the socialists in Geneva, in France, etc., will finish with justifying the Italian and German governments. Against force there remains nothing to oppose but force.”⁶⁷

In the years that followed, Pareto became embittered and thoroughly disillusioned. “The astonishing popularity of Marxism in Italy” led him to recast his sociological views to emphasize the priority of the irrational in human af-

essentially that of Mises, e. g., *Bolcevismo italiano*, p. 131-32: “As regards socialism in action, there is no other remedy than to oppose force to force. And it is here that, in the present state of affairs, the work of Fascism is the most useful work of all for the salvation of the civilization of our country. When the Bolshevik assault — whose preparation over many years we tolerated — shall have been stopped, then our work of education, of propaganda, and of vigilance can be effective in forming sentiments different from the present ones and in enlarging the sphere of influence of logical actions.”

⁶⁵ Vilfredo Pareto, *Lettere a Maffeo Pantaleoni, 1890-1923*, Gabriele de Rosa, ed., vol. 1 (Rome: Edizioni di Storia e Letteratura, 1962), p. 103 (letter of December 6, 1891).

⁶⁶ Pareto, *Lettere*, p. 500 (letter of December 23, 1896); vol. 2, p. 197, n. 3; Vilfredo Pareto, *The Other Pareto*, Placido Bucolo, ed., trans. Placido and Gillian Bucolo (London: Scholar Press, 1980), p. 108. This work is an excellent study of the essentially liberal Pareto in the various phases of his career.

⁶⁷ Pareto, *Lettere*, vol. 2, pp. 224-225 (letter of July 20, 1898). Another inkling here of Pareto’s later pro-Fascist position is his suggestion that the author of an article in the Socialist paper *Avanti!* endorsing the strikers’ violence, should be taken care of by General Bava Beccaris, who had just supervised a massacre of protesting Socialists in Milan.

fairs.⁶⁸ Economic theories are deployed in political struggles not in virtue of their “objective value,” but “rather principally for the quality they may have of evoking emotions.”⁶⁹

Pareto was particularly disgusted by the growing “humanitarianism” of the bourgeoisie, which expressed itself in sympathy for the excesses of unionized labor and even in a “sentimental mania” for the criminal element. The bourgeoisie displayed its decadence through its support of educators who taught that capitalism was founded on theft and of writers who besmirched every decent social value and undermined the very foundations of society.⁷⁰ Instead of fighting manfully for its rights, the bourgeoisie was basely surrendering to its socialist enemies. Pareto was fond of quoting the Genoese proverb: “He who plays the sheep will find the butcher.”⁷¹

The decay of the Italian bourgeoisie could be traced in the transformation of its political expression, the Liberal party, according to Pareto. “In the time of Cavour, the party that called itself liberal aimed at respecting the liberty to dispose of one’s own goods, then it limited it more and more, finally permitting the occupation of the lands and factories and the infinite acts of demagogic insolence of the *biennio* 1919-20.”⁷² In fact, Pareto came to see liberalism as having paved the way for “the demagogic oppression” of his own time. The liberals who demanded equality of taxation in favor of the poor, for instance, “did not imagine that they would obtain progressive taxation to the disadvantage of the well-off, and that they would end up with an arrangement in which taxes are voted by those who do not pay them.”⁷³

Fascism, Pareto held, was a healthy reaction to the crisis of the Italian body politic:

One of the principal ends of every government is the protection of persons and property; if it neglects this, then from the bosom of the people there arise forces capable of making good the deficiency. . . . [Fascism arose] as a spontaneous and somewhat anarchical reaction of a part of the population to the “Red tyranny,” which the government permitted to run rampant, leaving it to private individuals to defend themselves alone.⁷⁴

Fascism was a welcome sign that at least a certain physical courage was not lacking in the Italian bourgeoisie. However, in one of his last articles, Pareto

⁶⁸ S. E. Finer, Introduction to Vilfredo Pareto, *Sociological Writings*, Derick Mirfin, trans. (Totowa, N. J.: Rowman and Littlefield, 1966), p. 11. See also the important article by S. E. Finer, “Pareto and Pluto-Democracy: The Retreat to Galapagos,” *American Political Science Review*, vol. 62, no. 2 (June, 1968), pp. 440-450; and the brief but brilliant analysis in Rothbard, *Classical Economics*, pp. 455-459.

⁶⁹ Pareto, *Manuale di economia politica*, p. 98.

⁷⁰ Vilfredo Pareto, “I sistemi socialisti,” (1902), in Pareto, *Borghesia*, pp. 90-95.

⁷¹ Cf. Pareto statement: “To lack the courage needed to defend oneself, to abandon any resistance, to submit to the generosity of the victor, even more, to carry cowardice to the point of assisting him and facilitating his victory, is the characteristic of the feeble and degenerate man. Such an individual merits nothing but scorn, and for the good of society it is useful that he should disappear as quickly as possible.” Pareto, “I sistemi socialisti,” p. 93.

⁷² Vilfredo Pareto, “Libertà” (1923), in Pareto, *Borghesia*, p. 157.

⁷³ Pareto, *Manuale di economia politica*, pp. 97-98.

⁷⁴ Vilfredo Pareto, “Il fenomeno del fascismo” (1923), in Vilfredo Pareto, *Borghesia*, p. 148.

warned the Fascist leaders against the dangers of abuses of power and of entanglement in foreign adventures. To avoid such mistakes, he urged provision of “an ample freedom of the press.”⁷⁵

Another leading free trade economist was Antonio de Viti de Marco. Looking back after a decade, de Viti de Marco described the “fearful period of complete anarchy” of the *Biennio Rosso*, when the authority of the law had given way “to the arbitrary will of particular groups, even to the destructive instinct of the slums and the violent men of every particular group.” Railroad and telegraph workers considered themselves the bosses of the public services, strikes were called to intimidate the public, the homeless occupied the houses of private citizens, shops were ransacked under the eyes of the police, the workers took over the factories, and the agricultural laborers took over the land.⁷⁶

Against the chaos there arose Fascism, the private organization of resistance, without doubt a sign of vitality in the nation. With *squadrisimo* one had the phenomena typical of a civil war. The victorious party re-established public order and took the place of the state that had practically disappeared; then it shaped it little by little in its image.⁷⁷

Of all the Italian free-trade economists, Luigi Einaudi was to become the most prominent and achieve the greatest political influence. After the Second World War, Einaudi became the first president of the Italian Republic and probably the best-known economic liberal in Europe. He shared the views of the *liberisti* school both on the basic malignancy of the Italian political and economic system and the dangers of socialism for his country. The sinister alliance of the parasitism of the industrialists and of the unionized workers was a special target of his attacks. Together with the other economists, Einaudi hailed the emergence of the Fascist movement and Mussolini’s ascent to power. Revolted by the Socialists, who were preoccupied with “obtaining funds and loans and works and favors for their co-operatives, influence over economic affairs for their organizers, even at the cost of ruining industry with their controls,”⁷⁸ Einaudi extolled the Black Shirts as “those ardent youths who summoned the Italians to insurrection against Bolshevism.” The struggle between the Fascists and Socialists he characterized as a conflict between “the spirit of liberty and the spirit of oppression.”⁷⁹

⁷⁵ Pareto, “Libertà,” p. 160.

⁷⁶ Antonio de Viti de Marco, *Un trentennio di lotte politiche, 1894-1922* (Rome: Meridionale, 1929). pp. viii-ix.

⁷⁷ de Marco, *Un trentennio di lotte politiche*, p. ix.

⁷⁸ Enrico Decleva, “Il Corriere della Sera,” in Brunello Vigezzi, ed., *Politica e Stampa in Italia: Dopoguerra e Fascismo, 1919-1925* (Bari: Laterza, 1965), p. 218.

⁷⁹ Roberto Vivarelli, *Il fallimento del liberalismo: studi sulle origini del fascismo* (Bologna: Il Mulino, 1981), pp. 309-310. Most of the liberals, including Einaudi and the other economists, broke with the Fascist regime, in most cases rather quickly. They were disillusioned by the dictatorial methods of the Fascists, and, with the economists, by the continuation and even intensification of parasitic interventionism under the new regime. De Viti de Marco, *Un trentennio di lotte politiche*, p. ix, clearly distinguished the two phases of the *liberisti* relationship to Fascism: “These are two distinct phases: in the first, Fascism confronted socialism that had degenerated into Bolshevism; in the second, it opposes those

Thus, it will be seen, Mises was hardly alone among liberal thinkers in praising Fascism at an early stage of the movement. In fact, he was reiterating the views of those in Italy in the best position to know.

VI. The Impasse of the Rent-Seeking State

The condemnation of the Italian “liberal” state by the liberal economists stemmed from their fundamental social philosophy. Drawing on the rich nineteenth century liberal tradition of social analysis, including the thought of Herbert Spencer, the *liberisti* stressed that society prospers and progresses through creative human production and exchange. Yet historically, much of this advance has been rendered nugatory by the process of *spoliation*, or plunder, by wandering bands of barbarians, by criminals, or by those who make use of the state power. The recent decades in Italy, they believed, had seen the creation of a multifaceted system of plunder, organized by the governing class for the benefit of various parasitic categories of the populace.⁸⁰

The domination of Italian politics by special interests was evident from the beginnings of the Italian constitutional monarchy. Under the “liberal” regime of Giovanni Giolitti, the Chamber of Deputies was turned into a permanent carnival of shameless rent-seekers and their agents. As de Viti de Marco sketched it:

the advance of the liberal and democratic idea [in Italy] has consisted in the gradual extension of legislative favors, passing from the major to the minor groups, from the older established groups to the newly established ones, from the landed proprietors to the industrialists, to the state functionaries, to the laborers’ co-operatives, to the proletarian organizations. There was the hierarchy of the great, the medium, and the little privileges. Parliament became, logically, the market-place where the great and the little state favors were bargained for, the costs of which were paid for by the great mass of consumers and taxpayers. The defense of the latter was banished from the parliamentary arena.⁸¹

who found the state on the basis of the liberties of the individual. We had in common with Fascism a point of departure: the critique and the struggle against the old regime.”

⁸⁰ See Vivarelli, *Il fallimento del liberalismo*, pp. 241-253 et passim. It was no accident, of course, that a number of these liberal economists were among the pioneers of the *Scienza delle finanze*, which influenced James Buchanan’s public choice orientation; see James M. Buchanan, “‘La Scienza delle Finanze’: The Italian Tradition in Fiscal Theory,” in James M. Buchanan, *Fiscal Theory and Political Economy: Selected Essays* (Chapel Hill, N. C.: University of North Carolina Press, 1960), pp. 24-74. In discussing “the theory of the ruling class” of the Italian economists (pp. 32-33), however, Buchanan, in this early essay, neglects the real derivation of that approach, which is from Dunoyer and Charles Comte, via Bastiat and Francesco Ferrara; here the key concept was “spoliation,” or plunder. Buchanan also confuses the issue by suggesting that democratic decision-making would, in the Italian theory, provide a solution for the problems of ruling-class government. Pantaleoni, for one, was a bitter opponent of universal suffrage, precisely because of the vista it opens to lower-class “spoliation” of the economically successful. Cf. Ralph Raico, “Classical Liberal Roots of the Marxist Doctrine of Classes,” in Yuri N. Maltsev, ed., *Requiem for Marx* (Auburn, Ala.: Ludwig von Mises Institute, 1993), pp. 189-220.

⁸¹ Antonio de Viti de Marco, *Un trentennio di lotte politiche*, p. vii.

Typical of the Italian liberal economists, Pareto was a fierce, even fanatical opponent of the “plutocracy,” or “pluto-democracy” that reigned in Italy. Tariffs, government contracts, naval and military spending, nationalized industries, tax policy, social welfare, the legal privileging of labor unions were among the means at the disposal of the governing class to exploit the public at large for the benefit its various clientele. As one Pareto scholar has noted, in Pareto’s view:

Parliament is a necessary part of this arrangement, for it acts as a forum in which these transactions and arrangements between the various clientele . . . are “aggregated” and it also acts as a platform by which the masses are persuaded to assent to them.⁸²

Thus, liberals like Pareto had no special love for “parliamentary democracy.”

For a time, Mussolini gave the impression that he intended to undertake a cleansing of the Augean stables of the Italian rent-seeking state. He spoke of privatizing public services, including secondary education, of slashing spending, taxes, and bureaucracy, even of reducing the state to, in his phrase, the “Manchesterian conception.” There were suggestions of a “Paretian” revolution in the offing, with Mussolini calling for a new front of “producers” to combat the “parasites” of the political class and the Socialist bureaucracy.⁸³ The Fascist economic program of July, 1922, elaborated by Ottavio Corgini and Massimo Rocca, two economic liberals, seemed to herald such a revolution.⁸⁴ Einaudi endorsed the program enthusiastically, describing it as a return “to the old-fashioned liberal traditions . . . to the pristine sources of the modern state.”⁸⁵ Mussolini’s appointment of the *liberista* Alberto de Stefani as Minister of Finance was seen in the same welcome light.⁸⁶

Edoardo Giretti can be called the Italian Richard Cobden. For decades a tireless crusader for free trade, he was a leading participant in the Italian peace movement, a bitter opponent of military expenditures and colonial adventures, particularly the Libyan war of 1911.⁸⁷ Giretti was fond of the “sublime motto” of William the Silent: “There is no need to hope in order to undertake, nor to succeed in order to persevere”; in an obituary, his friend Luigi Einaudi said that the motto applied perfectly to Giretti’s life.⁸⁸

⁸² Finer, “Pareto and Pluto-Democracy,” pp. 447-448.

⁸³ Morgan, *Fascism*, pp. 48, 51; Lyttelton, *Seizure of Power*, p. 76. Mussolini’s major pronouncement in this direction was his speech of June 21, 1921 in the Chamber, which Pantaleoni, unsurprisingly, praised profusely. Interestingly, he endorsed Mussolini’s demand that the state cease acting as “the monopolizer and censor of thought with [its control of] the post and the school.” (Pantaleoni, *Bolcevismo italiano*, p. 212). In a speech of November 8, 1921, Mussolini stated: “In economic matters, we are liberals in the more classical sense of the word.” Pantaleoni, *Bolcevismo italiano*, p. 249.

⁸⁴ Antonio Papa, “Edoardo Giretti,” *Belfagor*, vol. 15, no. 1 (January, 1970), p. 66.

⁸⁵ Decleva, “Il Corriere della Sera,” p. 228.

⁸⁶ Industrial interests forced De Stefani out of office in 1925, because of his opposition to tariffs and subsidies. See Cannistraro, ed., *Historical Dictionary of Fascist Italy* s. v. “De Stefani, Alberto.”

⁸⁷ Sandi E. Cooper, “Patriotic Pacifism: The Political Vision of Italian Peace Movements, 1867-1915,” Frank J. Coppa, ed., *Studies in Modern Italian History from the Risorgimento to the Republic* (New York: Peter Lang, 1986), pp. 210-211.

⁸⁸ Luigi Einaudi, “Edoardo Giretti,” *Rivista di Storia Economica*, vol. 6, no. 1 (March, 1941),

Giretti's initial support of the Fascist movement is highly illuminating:

I am more than ever convinced that without economic liberty, liberalism is an abstraction devoid of any real content, when it is not a mere electoral hypocrisy and imposture. If Mussolini with his political dictatorship will give us a regime of greater economic freedom than that which we have had from the dominant parliamentary mafias in the last one hundred years, the sum of good which the country could derive from his government would surpass by far that of evil.⁸⁹

Thus, at this early point, Giretti, like the other *liberisti*, shared the interpretation of Fascism which one scholar has attributed to Luigi Albertini, editor of the influential *Corriere della Sera*, that it was "a movement at once anti-Bolshevik (in the name of the authority of the state) and economically liberal, capable, that is, of giving a new vigor" to the liberal idea in Italy.⁹⁰

A major early Fascist figure who was also an economic liberal was Leandro Arpinati, leader of the *squadristi* of Bologna. Arpinati later broke with Mussolini over the latter's increasingly interventionist policies. He was murdered in 1945, during the liberation, by a partisan gang.⁹¹

VII. Problems of Democratic Theory

The episode of Fascism and the support it garnered from the liberal economists suggests certain problems for democratic theory, particularly as set forth by Mises.

According to Mises, a liberal state "must not only be able to protect private property; it must also be so constituted that the smooth and peaceful course of its development is never interrupted by civil wars, revolutions, or insurrections."⁹² Mises is no partisan of the "classical republican," or "civic humanist" ideal. Unlike Constant and Tocqueville, for instance, he makes no mention of the value of democratic participation in elevating and helping perfect the character of the citizens. In his analysis, the fundamental justification of democracy is that in any case "the majority will have the power to carry out its wishes by force . . . Democracy is that form of political constitution which makes possible the adaptation of the government to the wishes of the governed without violent struggles . . . no civil war is necessary to put into office those who are willing to work to suit the majority."⁹³

It is true that in Italy during the *Biennio Rosso* the Socialists never enjoyed a parliamentary majority.⁹⁴ Nonetheless, they did obtain majorities in numerous town and district elections. Pareto describes how the Socialists conducted themselves:

p. 67. See also *Dictionary of Modern Peace Leaders* (Westport, Conn.: Greenwood, 1985), s.v. "Giretti, Edoardo."

⁸⁹ Papa, "Edoardo Giretti," p. 67. The term used by Giretti that is here translated as "mafias" was "camorre," and refers to the Neapolitan version of the Sicilian mafia.

⁹⁰ Decleva, "Il Corriere della Sera," p. 233.

⁹¹ See Agostino Iraci, *Arpinati*.

⁹² Mises, *Liberalism*, p. 39

⁹³ Mises, *Liberalism*, pp. 41-42

⁹⁴ In Germany, in 1919, it is certain that the Communists did not have the support of the majority of the population.

The conquest of the municipalities was for [the Socialists] merely the occasion for plunder, for dividing among themselves the product of taxes, increasing them beyond any measure, and squandering the endowments of the charitable institutions and hospitals. There was a moment when Milan and Bologna became little states independent of the central power.⁹⁵

Some questions suggest themselves: on what basis is a liberal required to submit to the “majority will” in these cases? Is it possible that the course adopted by the Fascist *squadri*, of disrupting the democratically-elected Socialist administrations, was preferable to permitting them to plunder property at will? Suppose that the Italian Socialists *had* acquired a majority in the country at large and proceeded to implement a Leninist program through parliamentary means: would their opponents have been obliged to accede to this?

Mises admits that “if judicious men see their nation . . . on the road to destruction,” they may well be tempted to use forcible means “to save everyone from disaster.”⁹⁶ But this enlightened minority will not, he holds, be able to maintain itself in power unless it convinces the majority. Is this necessarily so, however?⁹⁷

Similar questions arise in regard to the second consideration on the minds of the Italian economists: the possibility of using Fascism to break the impasse of the rent-seeking state. In reality, this did not come about. However, this would not appear to be necessarily the case in other circumstances. The *coup d'état* by Pinochet and the other generals against the democratically-elected Allende government does seem to have led to the dismantling of much of the Chilean rent-seeking political structure.

It would appear, then, that a liberal of Mises's school is obliged to respond to Pareto's proposition, set forth after Mussolini's assumption of power: “A *coup d'état* can be useful or damaging to the country, depending on the use that is made of power obtained by it. For now, it seems that in Italy, one is on the right road.”⁹⁸

VIII. The Problem of Maintaining a Liberal Order

In his memoirs, Mises wrote of the great questions of politics:

The people must decide. It is true, economists have the duty to inform their fellow men. But what happens if these economists do not measure up to the dialectic task and are pushed aside by demagogues? Or if the masses lack the intelligence to understand the teachings of the

⁹⁵ Vilfredo Pareto, “Il fenomeno del fascismo,” p. 150. Pareto held that, instead of proceeding to seize power in Italy, the Socialists busied themselves with dividing the spoils of their immediate victories.

⁹⁶ Mises, *Liberalism*, p. 45

⁹⁷ Mises cites the Bolsheviks as an example of the futility of attempts at minority rule: they were forced against their will to concede private ownership of land because of the overwhelming demand of the peasants. (*Liberalism*, pp. 45-46) Mises was writing in 1927; a very few years later the Communists totally reversed their policy on the land question, and ruled for another sixty years.

⁹⁸ Pareto, “Paragoni,” in Pareto, *Borghesia*, p. 154.

economists? Is the attempt to guide the people on the right road not hopeless, especially when we recognize that men like John Maynard Keynes, Bertrand Russell, Harold Laski and Albert Einstein could not comprehend economic problems?⁹⁹

This was an expression of the pessimistic mood that assailed Mises at the time of the First World War. How were the masses in democratic societies to be won for the principles of private property and the free market? It was a problem that had engrossed liberals from at least the time of Say and the *Idéologues*. Richard Cobden and the German liberal leader Eugen Richter were among those who followed these French writers in proposing the use of the public education system to “teach” the masses the principles of sound economics.¹⁰⁰ Most frequently, however, recourse was had to a general task of “public enlightenment” — allegedly incumbent on all true liberals — to forestall popular acceptance of disastrous economic and social policies. Mises considers this option:

It has been said that the problem lies with public education and information. But we are badly deceived to believe that more schools and lectures, or a popularization of books and journals could promote the right doctrine to victory. In fact, false doctrines can recruit their followers the same way. *The evil consists precisely in the people’s intellectual disqualifications to choose the means that lead to the desired objectives.* The fact that facile decisions can be foisted onto the people demonstrates that they are incapable of independent judgment. This is precisely the great danger.¹⁰¹

Mises candidly concedes the logical implication of this view, as far as he was personally concerned: “I thus had arrived at this hopeless pessimism that for a long time had burdened the best minds of Europe.” What escape could there be from this pessimism? He tells us that in his high school days he had chosen as his motto a verse from Virgil: “Do not yield to the bad, but always oppose it with courage.” He resolved to “do everything an economist could do. I would not tire in professing what I knew to be right.” He decided to proceed with his plan to write a major work on socialism.¹⁰²

Mises ends *Liberalism* by speaking of the future of the ideology, and what it must do in order to prevail. Liberalism, he holds, is in a radically different position from its rivals:

No sect and no political party has believed that it could afford to forgo advancing its cause by appealing to men’s senses. Rhetorical bombast, music and song resound, banners wave, flowers and colors serve as symbols, and the leaders seek to attach their followers to their own person. Liberalism has nothing to do with all this. It has no

⁹⁹ Mises, *Notes and Recollections*, p. 68.

¹⁰⁰ This course foundered, among other reasons, because the direction of public education in western countries was eventually assumed by forces unfriendly to liberals ideals. Benjamin Constant, in the early nineteenth century, had already warned against the use of state power — including the educational system — to promote a desirable ideology for the very reason that it was in this sense a two-edged sword.

¹⁰¹ Mises, *Notes and Recollections*, p. 69, emphasis added.

¹⁰² Mises, *Notes and Recollections*, pp. 69-70.

party flower and no party color, no party song and no party idols, no symbols and no slogans. It has the substance and the arguments. These must lead it to victory.¹⁰³

Thus, having overcome his personal pessimism with a kind of existential leap of faith in the value of rational argument in the ideological struggle, Mises imputes this austere position to liberalism as a whole. This does not, however, appear satisfactory.

In *Capitalism, Socialism and Democracy*, Joseph Schumpeter addressed the very question at issue here:

Why should the capitalist order need any protection by extra-capitalist powers or extra-rational loyalties? Can it not come out of the trial with flying colors? Does not our own previous argument sufficiently show that it has plenty of utilitarian credentials to present? Cannot a perfectly good case be made out for it?

His Schumpeterian answer to these questions is: “Yes — certainly, only all that is quite irrelevant.”¹⁰⁴ He provides a number of reasons for this negative response, including the circumstances that the masses simply take their unprecedentedly high living standards under capitalism for granted, and that the inevitable petty resentments arising from every day life are often directed against the capitalist system because “*emotional* attachment to the social order” is something capitalism is “constitutionally unable to produce.”¹⁰⁵

Two of Schumpeter’s reasons, however, are ones that Mises could have endorsed. First, the attack on capitalism often arises from “extra-rational” grounds, and “utilitarian reason” is no “match for the extra-rational determinants of action.” Mises himself conceded as much in the section of *Liberalism* on “The Psychological Roots of Antiliberalism,” where he expatiates on the “Fourier complex” — the “neurotic” attribution to the market order of pain and suffering due in actuality to personal failings. Psychoanalysis is unhelpful here, because “the number of those afflicted with [this complex] is far too great.” Again, the solution Mises proposes is a hyper-rationalist one: “Through self-knowledge [the afflicted individual] must learn to endure his lot in life without looking for a scapegoat on which he can lay all the blame, and he must endeavor to grasp the fundamental laws of social cooperation.”¹⁰⁶

Schumpeter, perhaps more realistically, sees no solution: it is in this context that he pronounces his famous judgment that “capitalism stands its trial before judges who have the sentence of death in their pockets.” In fact, the ethos promoted by the market economy, he holds, exacerbates the problem, because it causes the anti-rational, anti-capitalist impulses to “get out of hand by removing the restraint of sacred or semi-sacred tradition.”¹⁰⁷

Schumpeter’s second major reason is that the case for capitalism “could never be made simple.” Here he echoes Mises at his most pessimistic:

¹⁰³ Mises, *Liberalism*, p. 193

¹⁰⁴ Joseph Schumpeter, *Capitalism, Socialism and Democracy*, 3rd ed. (New York: Harper and Bros., 1950), p. 144.

¹⁰⁵ Schumpeter, *Capitalism, Socialism and Democracy*, p. 145. Emphasis in original.

¹⁰⁶ Mises, *Liberalism*, p. 17

¹⁰⁷ Schumpeter, *Capitalism, Socialism and Democracy*, p. 144.

People at large would have to be possessed of an insight and a power of analysis which are altogether beyond them. Why, practically every nonsense that has ever been said about capitalism has been championed by some professed economist.¹⁰⁸

Connected to this is the fact that “any pro-capitalist argument must rest on long-run considerations . . . the unemployed of today would have completely to forget his personal fate and the politician of today his personal ambition . . . for the masses, it is the short-run view that counts . . . from the standpoint of individualist utilitarianism they are of course being perfectly rational if they feel like that.”¹⁰⁹

IX. Sulzbach’s Critique of Mises

Similar points had already been made in the most extensive review of Mises’s *Liberalism*, by the sympathetic Austrian economic writer, Walter Sulzbach. Sulzbach expresses his agreement with Mises on a wide array of important points, such as private property as the basic demand of liberalism, liberalism’s class-neutral character, and the nature of the state. “The fact is that the most important of the fundamental theses of liberalism remain unrefuted.” Despite liberalism’s evident successes, however, it has fallen on hard times: “liberalism once ruled and was voluntarily abandoned.” There are various reasons for this, according to Sulzbach, but one that he presents impugns the Misesian system most seriously. He asks: “Are the interests of all individuals really identical in the last analysis? That is the central question of liberalism.”¹¹⁰

Mises’s affirmative answer to this question is the motif running through *Liberalism*. He even asserts that: “We [liberals] attack involuntary servitude, not in spite of the fact that it is advantageous to the ‘masters,’ but because we are convinced that, in the last analysis, it hurts the interests of all members of human society, including the ‘masters.’”¹¹¹ The same holds for all those who enjoy special privileges: unionized workers, workers protected against foreign immigrants, protected industrialists, etc. Yet it is impossible to deny that these various privileges benefit their recipients. Mises claims that the renunciation of these benefits is only “provisional,” that it is “very quickly compensated for by higher and lasting gains.” But this will not work, according to Sulzbach:

For a particular group to behave in a way that is useful to the “whole,” what is required is an appeal to their conscience, not enlightenment, as rationalistically-oriented liberalism in the end always believed . . . the problem is less that of a present sacrifice in favor of the

¹⁰⁸ Schumpeter, *Capitalism, Socialism and Democracy*, p. 144.

¹⁰⁹ Schumpeter, *Capitalism, Socialism and Democracy*, pp. 144-45. Schumpeter makes the ancillary but highly significant point: “The long-run interests of society are so entirely lodged with the upper strata of bourgeois society that it is perfectly natural for people to look upon them as the interests of that class only.”

¹¹⁰ Walter Sulzbach, “Liberalismus,” *Archiv für Sozialwissenschaft und Sozialpolitik*, vol 59, no. 2 (1928), pp. 382-395.

¹¹¹ Mises, *Liberalism*, p. 22

future than that of a personal sacrifice in favor of the greater social grouping, and thus it is less a question of an enlightened understanding than of the readiness for personal renunciation. . . . At best liberalism could show in a logically compelling way that, if the interests of mankind are to be safeguarded, free competition is the correct path to this goal. But where does the postulate come from that the individual or the small group should sacrifice itself for mankind — if its justification is not to be found in the religious sphere or in metaphysics?¹¹²

Thus, Sulzbach claims, Mises's alleged foundation of liberalism on the bedrock of science is a mirage; in reality, "it is the old Christian-theological doctrine of the special election of the human soul that lives in all liberal and democratic enlightenment, and which, because it has forgotten its origin, considers itself the result of 'science.'"¹¹³

X. The Problem of Immigration

Serious and related problems arise for Mises's position on the question of unlimited international immigration. He states that free trade, with the international division of labor, was only a starting point for liberalism; the ultimate liberal ideal is a world where not only goods but also capital and particularly labor are free to move to the areas of their highest productivity.¹¹⁴ The liberal demand is "that every person have the right to live wherever he wants."¹¹⁵

Mises considers the argument of "national interests," believing that with open borders immigrants would "inundate" Australia and America, for example: "they would come in such great numbers that it would no longer be possible to count on their assimilation." In the case of America he states that such fears are "perhaps exaggerated" (presumably the equivalent of "possibly justified"); "as regards Australia, they certainly are not." "If Australia were thrown open to immigration, it can be assumed with great probability that its population would in a few years consist mostly of Japanese, Chinese, and Malaysians." It is not just a question of the labor unions: "the entire nation . . . is unanimous in fearing inundation by foreigners." There is an obvious "aversion" to members of other nations and especially other races.¹¹⁶

Yet Mises seems to place sole blame for the existence of a problem on the interventionist state:

It cannot be denied that these fears are justified. Because of the enormous power that today stands at the command of the state, a national minority must expect the worst from a majority of a different nationality. As long as the state is granted the vast powers which it has

¹¹² Sulzbach, "Liberalismus," p. 390.

¹¹³ Sulzbach, "Liberalismus," p. 391.

¹¹⁴ Mises, *Liberalism*, pp. 130-134.

¹¹⁵ Mises, *Liberalism*, p. 137. In asserting this, Mises doubtless did not have in mind the current situation in every Western country, where a panoply of "civil rights" laws has abolished the right to racial and ethnic discrimination. On the whole questions of immigration and liberal theory, see Hans-Hermann Hoppe, "Free Immigration or Forced Integration," *Chronicles*, vol. 19, no. 2 (July, 1995), pp. 25-27.

¹¹⁶ Mises, *Liberalism*, pp. 139-141.

today and which public opinion considers to be its right, the thought of having to live in a state whose government is in the hands of members of a foreign nationality is positively terrifying.¹¹⁷

Mises's solution is "the adoption of the liberal program," upon which the immigration problem would "completely disappear." "In an Australia governed according to liberal principles, what difficulties could arise from the fact that in some parts of the continent Japanese and in other parts Englishmen were in the majority?"¹¹⁸

This rhetorical question appears peculiarly constructed. Since Mises has no theory of what forces tend to create and maintain a liberal society — aside from incessant rational economic argumentation — he has no reason to suppose that an Australia governed at a certain point according to liberal principles would continue to be so governed. But if Australia should, by some chance, slip back into interventionism, then the "national minority [now Australians of European descent] must expect the worst" from the majority of Japanese, Malaysians, etc. Mises does not consider what, dynamically, might go into the creation of a political majority in a country with free immigration. He does concede that "the maintenance of migration barriers against totalitarian nations aiming at world conquest is indispensable to political and military defense."¹¹⁹ But what then of cases in which the liberal social order is threatened by the influx of immigrants who are unlikely, because of history and culture, to support that order?

Free immigration would appear to be in a different category from other policy decisions, in that its consequences permanently and radically alter the very composition of the democratic political body that makes those decisions. In fact, the liberal order, where and to the degree that it exists, is the product of a highly complex cultural development. One wonders, for instance, what would become of the liberal society of Switzerland under a regime of "open borders."

XI. Was Mises an Anti-Imperialist?

In *Liberalism* Mises has harsh words for the practices of the European colonial powers: "No chapter of history is steeped further in blood than the history of colonialism."¹²⁰ However, he does not propose that the colonial powers of the time simply withdraw from their possessions: "The economy of Europe today is based, to a great extent, on the inclusion of Africa and large parts of Asia in the world economy as suppliers of raw materials of all kinds.... European officials, troops, and police must remain in these areas, as far as their presence is necessary in order to maintain the legal and political conditions required to insure the participation of the colonial territories in international trade."¹²¹

Mises had in fact expressed himself even more forcefully in favor of im-

¹¹⁷ Mises, *Liberalism*, p. 142.

¹¹⁸ Mises, *Liberalism*, p. 142.

¹¹⁹ Mises, *Omnipotent Government*, p. 244.

¹²⁰ Mises, *Liberalism*, p. 125.

¹²¹ Mises, *Liberalism*, pp. 127-128.

perialistic rule at an earlier point. In his *Socialism*, he heaps extravagant praise on British imperialism:

The wars waged by England during the era of Liberalism to extend her colonial empire and to open up territories which refused to admit foreign trade laid the foundations of the modern world economy. To measure the true significance of these wars, one has only to imagine what would have happened if India and China and their hinterland had remained closed to world commerce.¹²²

Mises insists that:

Liberalism aims to open all doors closed to trade. . . . Its antagonism is confined to those governments which, by imposing prohibition and other limitations on trade, exclude their subjects from the advantages of taking part in world commerce. The Liberal policy has nothing in common with Imperialism.¹²³

However, the position that Mises defends here comes close to what is known as “free trade imperialism.”¹²⁴ In this conception, “informal empire” is contrasted to the “formal empire” that entails direct political and military control. The operative element in empire is seen to be the application of political, military, or diplomatic power to open areas to imports of goods and capital from the mother country, without the necessity of formal incorporation of those areas into a political structure. Mises’s “anti-imperialism” seems to tend in this direction, but, oddly, also allows for *formal* imperialism, as long as the intention is to establish a system of free trade.

Mises claims that this was, historically, the position of classical liberalism. Yet the most famous English free traders — Cobden and Bright, leaders of the Manchester school — were staunch opponents of *any* use of state power to extend commerce. It is ironic that Mises defends the English Opium Wars against China,¹²⁵ which were bitterly assailed by Cobden as examples of the rankest imperialism. Overall, it must be said that Mises’s views on these questions are in sharp contrast to the traditional liberal perspective represented by Cobden and his school, which held that any government involvement in international trade was illegitimate.¹²⁶

It may well be that at the root of Mises’s problem here lies his antiseptic conception of the state: for him, the state is simply “the apparatus of compulsion and coercion.” He contemptuously rejects Nietzsche’s dictum that “the state is the coldest of all cold monsters”: “The state is neither cold nor warm.” “All state activity is human activity,” and its goal is “the preserva-

¹²² Ludwig von Mises, *Socialism. An Economic and Sociological Analysis*, trans. by J. Kahane (1922) (Indianapolis: Liberty Classics, 1981), p. 207.

¹²³ Mises, *Socialism*, p. 208.

¹²⁴ See the classic article by John Gallagher and Ronald Robinson, “The Imperialism of Free Trade,” *Economic History Review*, 2nd. ser., vol. 6, no. 1 (1953), pp. 1-15; and Oliver MacDonagh, “The Anti-Imperialism of Free Trade,” *Economic History Review*, 2nd. ser., vol. 14, no. 4 (1962), pp. 489-501.

¹²⁵ Ludwig von Mises, *Socialism*, p. 207, n. 2.

¹²⁶ See J. A. Hobson, *Richard Cobden: The International Man* (1919) (repr. New York: Barnes and Noble, 1968), and William Harbutt Dawson, *Richard Cobden and Foreign Policy* (New York: Frank-Maurice, 1927).

tion of society.”¹²⁷ That the state apparatus might have a dynamism of its own — that, for instance, imperialism and the military and civilian bureaucracies it necessitates might lead to state activism beyond merely assuring free trade — does not appear to have entered into Mises’s economic calculations. Nor does Mises consider the historical effect of British imperialism as a model and spur to imperialist strivings in other nations, above all, Germany.

¹²⁷ Mises, *Liberalism*, p. 57.

