

FROM THEORY TO REALITY: BARRIERS CONFRONTING LIBERTARIANS

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Classical Liberalism, especially of the Austrian inclination, and Libertarianism are by now recognized as the most influential research traditions of our time. While it would be superfluous here to repeat the reasons for such widespread significance, it should not be overlooked that, so far, the significance of these traditions has been recognized mainly in the academic world. There are numerous countries in which these ideas have yet to achieve the impact we wish for on public opinion and the electorate at large.

One of the strongest boosts to the spread of Austrian and libertarian ideas has come from growing realization of the self-evident truths contained in arguments against the various forms of statism and interventionism that have been repeatedly put forward for decades by the major thinkers of this school, such as Mises, Hayek, Leoni, and Rothbard (to cite only those who are not with us anymore). Their pioneering work was often carried out amidst the general indifference, if not outright hostility, of scholars who claimed to stand in the tradition of classical liberalism.

However, given the now-manifest dissolution of the overlap between the political and economic spheres, the Austrian claims can be seen to have striking current relevance. In fact, the contention that the nation-state is only a historical version of the solution to the problem of the best political order, rather than being the ineluctable theoretical horizon of political philosophy, no longer sounds outlandish and outmoded. Now there is a widespread awareness of the risks jeopardizing individual rights as a result of the uncontrollable dilatation of the range of affairs that fall within the purview of the interventionist state.

It is when the belief in the state not only as a guarantor and producer of the law but also as a regulator of the economy appears to be an arrogant fabrication that the proposals of the Aus-

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trians and the libertarians assume greatest current significance. So far, however, knowledge of these proposals has not achieved sufficient penetration throughout society, and this gap between the theoretical validity of the ideas and their limited diffusion could once again relegate us to a fringe position.

In other words, we know that the conception of the state of *jus publicum europaeum* has run its full course (and the terminus has proven to be vastly different from that prognosticated by the historicists). On the other hand, our recommendations on how to deal with the decline of the state have, to date, perhaps not been formulated in a sufficiently precise manner. No one could seriously suggest standing around and waiting for the civil wars that are likely to come about when a political order is overthrown and no proper substitute has been contrived. It cannot be denied, though, that our ideas on how to deal with the problems of founding a new political order based on liberty have not yet been understood and acknowledged as viable proposals.

Consequently, I believe that we are facing two related challenges: the first of a theoretical nature, concerning the problem of security, and the second, which must be dealt with very pragmatically, regarding the need for greater effort to achieve the global spread of Austrian and libertarian ideas.

Despite the clear disinctions one can make, these two challenges are closely related. Arguably, over the last few centuries, the whole subject of security and uncertainty has been ignored and expunged, despite having occupied an absolutely central role from the Hobbesian theory of the origins of the state onward. One of the factors contributing to this neglect is to be found in the attitude of the theoreticians of the state. Pressed as they were by the need to hide the failures of the state, and recognizing that its legitimation stemmed exclusively from its ability to act as the effective safeguard of individual rights, and therefore as a remedy for uncertainty, they ended up merely paying lip-service to the various historical forms of the modern state. The statist thinkers turned their attention to forms of legitimation that would allow extension of the competences falling under the authority of the state while at the same time immunizing it against any realization that the state was no longer capable of producing security.

On closer inspection, I would reject any explanation of the phenomenon “state” if the explanation is centered solely on the fact that the state has enjoyed such a long life due to its success in establishing a monopoly on violence and on the production of

law. This explanation is not entirely satisfactory because the argument fails to take into account the incredible power and prestige the state has acquired by making its citizens believe—sometimes by resorting to force and violence—that the state itself is actually the best producer of individual and social security. But once one grants that this additional aspect also plays a major role, attention should be focused more sharply on the problem of wants and satisfaction of certainty.

Ever since the Mengerian explanation¹ of the origins of property, this theme has been dealt with in depth, leading to excellent theoretical results. But we also know that the Austrian theory of the birth and development of social institutions has not been adequately debated, and social science scholars still forget the adjective “cultural” that Hayek interposes between *evolutionism* and *spontaneous*.² Neither have we devoted sufficient attention to the words with which, before embarking on his critique of the “ethical approach to economics,” Menger concludes the eighth appendix of *Untersuchungen*;

but never, and this is the essential point in the matter under review, may science dispense with testing for their suitability those institutions which have come about “organically.” It must, when careful investigation so requires, change and better them according to the measure of scientific insight and the practical experience at hand. No era may renounce this “calling.”³

And perhaps we have not given due regard to his revisitation, in Appendix 7, of “The opinion ascribed to Aristotle that the State is an original phenomenon given simultaneously with the existence of man.”

The problem is the relation between *security* and the *state*. We are all familiar with Hayek’s works on the social distribution of knowledge and the role of knowledge distribution in the determination of *temporal equilibria*,⁴ and his analysis of the way

¹Carl Menger, *Grundsätze der Volkswirtschaftslehre* (Wien: Wilhelm Braumüller, 1871; reprinted in *Gesammelte Werke*, F.A. Hayek, ed. (Tübingen: J.C.B. Mohr [Paul Siebeck], 1968–70), vol. 1, pp. 56ff.; Engl. trans. *Principles of Economics*, (Glencoe, Ill.: Free Press, 1950).

²See, i.e., F.A. Hayek, *Law, Legislation and Liberty* (London: Routledge, 1973–79) vol. 1, pp. 20ff., and vol. 3, “Epilogue,” pp. 155ff.

³Carl Menger, *Untersuchungen über die Methode der Socialwissenschaften, und der Politische Oekonomie insbesondere* (Leipzig: Duncker and Humblot, 1883; reprinted in *Gesammelte Werke*, F.A. Hayek, ed. (Tübingen: J.C.B. Mohr [Paul Siebeck], 1968–70), vol. 2, pp. 286–87; Engl. trans. *Investigations into the Method of the Social Sciences with Special Reference to Economics* (New York: New York University Press, 1985), p. 234.

⁴See F.A. Hayek, *Individualism and Economic Order* (London: Routledge, 1948).

this influences human action. Indeed, this is one of the Austrian School's most important contributions to the theoretical social sciences. For this reason, we should highlight the link between these issues and our critique of statist social philosophy. Of course, having demonstrated that the state is unable either to guarantee individual rights or satisfy "individual claims"⁵—that is to say, to produce security—we must now study how to replace the state. I am convinced that victory will be ours if, and only if, we succeed in convincing the citizens-voters that we have a better solution to solve the problem of order.

In a historical perspective, the state is a form of *political association* shaped by a specific historical context, and also a mode of concentrating power that arose in a given historical context. The crisis of the state should not delude us into thinking that power concentration will tend to be reduced. Since it is not so much violence as insecurity that lies at the roots of political power, any increase in insecurity will tend to lead to an increase in the people's desire to put an end to it by granting even greater power to government.

The state can reduce insecurity only if it restricts itself to the forgotten sphere of protecting individual rights. When it also takes on other tasks, insecurity increases. This happens with a peculiar touch in democratic regimes: policy is effectively decided by social groups who acquire power, and these groups will attempt to maximize their future certainties and their expectations at the expense of those of other groups. For instance, the "certainty of law" is interpreted by the classical-liberal tradition as an essential and indispensable condition for individuals to be able to work out their life plans. However, one may wonder what is left of this noble idea in the face of a reality characterized by diffuse "finalistic" legislation in many European countries, as well as in the United States.

We must, therefore, attempt to forge a link between theoretical studies on the relation between *insecurity* and *human action*, and perspectives in political philosophy inquiring into possible substitutes for the state.

This is hardly a very original statement, and I am fully aware that much of this work has already been done, and admirably so.⁶ But I am equally aware that professional politicians

⁵See Bruno Leoni, "The Law as Individual Claim," in *Freedom and the Law*, expanded third edition (Indianapolis: Liberty Fund, 1991).

⁶See, i.e., Hans H. Hoppe, "On Certainty and Uncertainty, Or: How Rational Can Our Expectations Be?" *Review of Austrian Economics* 10 (1997): 49–78.

and the overwhelming majority of political scientists—even those inspired by the very best of intentions—cannot even *conceive of politics and the economy without the state*. Furthermore, there has been such an emphasis on statism as some form of “salvation on earth” that citizens of countries most severely hit by this epidemic are seized by panic at the mere suggestion that the functions of the state should be limited. This kind of hysteria is making itself felt in many European countries, even though one can begin to perceive the first hints of realization that the state has failed in what ought to be its major role, and that this failure is going to have cosmic repercussions.

We must, therefore, make a clear effort to devise and promote a credible political alternative to the nation-state. Such an alternative should enable the rich heritage of achievements of Western civilization to be maintained and should also be equal to the challenges provided by the era toward which we are moving. For this is, indeed, an era in which any claim by the institution “nation-state” to be able to create and uphold security, as well as law and order, is going to be palpable in all its absurdity or in all its violence.

In these circumstances, the one factor that must not be overlooked is that the desire for certainty is almost eternal. To disregard this essential factor is tantamount to accepting that the liberal tradition, both in its classical and libertarian forms, will be destined forever to remain a fringe movement.

We know that *catallactics* is more successful than is the state in the production of individual and social security. But we also know that, like all human institutions, *catallactics* is not infallible, and needs continual improvement in its manner of functioning. What we must not ignore is that statisticians will do everything in their power to attribute to the market any increase in social uncertainty, thereby attempting to blame the market for their own idealized institution. Furthermore, the market will also be blamed for any adverse social consequences that ensue from the process of globalization, where globalization is taken to mean competition among free producers of goods and services, as well as among workers.

Stated in a slightly different manner, we must avoid a repetition of what happened in the 1920s: we must avert the risk of being shunned as if we were the ones responsible for the social uncertainty that is bound to be ushered in by these events. It should not be forgotten that in many countries the market is still regarded as something evil, and in such countries statist intellec-

tuals still have such a dominant position in the press and the media that they would have no difficulty in off-loading the responsibility onto the market and capitalism, instead of admitting the failure of statism itself. If this scenario were to come true, then in many countries the classical-liberal tradition would be swept away by the desperate efforts of statist to grasp at any straw to save their skins.

Turning now to a different problem, there is a growing desire for greater *ethicalness*, or indeed for a *public ethic*, that is making itself felt along with the various attempts to show that despite all the arguments in its favor, the market has so far not provided a better solution to this problem than has the state. Recognition of this desire does at least provide an indication of the direction in which hostility to the market is likely to develop over the next few years. Therefore, it offers a preview of the kind of opposition which the traditions of classical liberalism and libertarianism are likely to have to contend with. For instance, in countries most exposed to this hazard, Kant's teaching that the *res publica* is the best political regime even for a nation of devils (so long as they possess understanding)⁷ has been quite forgotten. Consequently, expressions such as a public ethic, the ethical state, and so on, have once again become fashionable, all memory of their previous utilization to defend totalitarian regimes having been conveniently brushed aside. One even finds the suggestion that liberal democracy cannot survive without a public ethic and that the so-called failures of the market should be attributed to the lack of such an ethic.

When the hammer of globalization finally deals its crushing blow to statism-ridden European democracies, wreaking its devastating effects of unemployment and social and generational conflict, statist will do their best to conceal their own failure by accusing the market of being neither ethical nor rational.

At that point, we may find ourselves in a situation not unlike that which brought totalitarian regimes to power, for although such regimes differed from one another in various ways, they all shared the common feature of hostility to individualism and the market, to the point that their efforts, albeit uncoordinated, succeeded in making it appear as if individualism and the market were to blame for the first major crisis of interventionism.

⁷Immanuel Kant, *Zum ewigen Frieden: Ein philosophischer Entwurf* (Königsberg: Friedrich Nicolovius, 1795), reprinted in Immanuel Kant, *Werkausgabe*, vol. 11 *Schriften zur Anthropologie, Geschichtsphilosophie, Politik und Pädagogik* (Frankfurt: Suhrkamp, 1977), pp. 223–24; Engl. trans. *Perpetual Peace: A Philosophical Sketch in Political Writings*. H.B. Nisbet, tran. (Cambridge: Cambridge University Press, 1991), pp. 122–23.

Every Austrian knows how much it costs to re-establish a minimum of historical truth. If we prove unable to steer this crisis of statism in the right direction, all the efforts made so far will turn out to be in vain and, once again, we will play the role of scapegoats for the failure of the modern state. The victory of the market over nation-states will thus be interpreted not as the outcome of a process, but as a misadventure. In this manner, the failure of statism, a far worse failure than that of socialism, will end up being considered the failure of the market.

I do not wish to appear a prophet of doom and disaster in saying that we have very little time left to prevent this from happening. I also realize that one may be totally indifferent to the fate of many countries of the Western world. But what I refuse to believe is that such a prospect could prove to be entirely painless and devoid of effects on the survival of the ideals of individual freedom and their spread throughout the world.

If defense of these ideals constitutes a worthwhile goal for which to fight, we must first and foremost clarify that the defence of the free market is not the ideology of an "affluent bourgeois class." In the United States, this may seem to be a rather trite observation, but it is important in those parts of continental Europe and elsewhere in the world where the mentality of both the elites and the masses was shaped by Marxism, and where this mentality still persists. It should not be overlooked that any order may seem to be preferable to chaos.

For instance, in order to be credible and thereby exert influence in political terms, we need to construct a new and realistic role for philosophy and economics that helps lead to the dissolution of nation states. In other words, we need to build suitable models of political institutions so that we can set about persuading the citizens-voters that they are not about to make a leap into the void or into chaos. We must also give a concrete demonstration of why the market is capable of competing successfully with the state in the production of certainty and security.

It is on this latter point that we face our greatest challenge. The Soviet experience has shown that a political regime can endure only if it proves capable of fulfilling individual expectations and producing security and legal certainty. These are its only sources of legitimation. Over time, legitimacy in the Weberian⁸ or ethical sense is not enough. Any state which bases its legitimacy on ethical motivations will ultimately lose out when

⁸See Max Weber, *Wirtschaft und Gesellschaft* (Tübingen: J.C.B. Mohr [Paul Siebeck], 1973), vol. 1, pp. 29ff., 123, and vol. 2, pp. 544–45, 822ff.

made to compete with other, more efficient models. This being said, however, we should also take note that the ethical justification of the state, and of political institutions in general, is actually a way for shirking comparison with other models of the state.⁹ After all, the theories and promises of Marxism have been shown to be inescapably hollow, and therefore falsifiable, by comparative analysis of empirical data on wealth production and satisfaction of individual and social needs. In contrast, such comparisons cannot so easily be applied to the ethical state, whose advocates dodge the issue by seeking refuge in an unassailable ethical desirability.

There is also a need to make clear what an enormous impact the Austrian school has had on the history, theory, and practice of classical liberalism. So far, there is insufficient awareness of the fact that, as a result of the Austrian teachings and the spread of these ideas, classical liberalism now rests on quite different bases from those that underlay pre-Austrian liberalism.¹⁰

One of Mises's great achievements is to have explained in depth the theoretical solution of the labor-value problem. It was this great Austrian scholar who pointed out that only subjectivist economics and human action could rescue classical liberalism from the quagmire of classical economics, which was centered on the labor-value theory.

Furthermore, since the ideas of the Austrian School are not yet universally known and accepted, we must, as Hayek urged, start out from the way in which ideas take shape in individuals' minds,¹¹ and try to understand and overcome the prejudices that still hinder the spread of these ideas. Our task, thus, is to bring

⁹Raimondo Cubeddu, "The 'Irrelevance' of Ethics for the Austrian School," in *Methodology of the Social Sciences, Ethics, and Economics in the Newer Historical School. From Max Weber and Rickert to Sombart and Rothacker*, P. Koslowski, ed. (Berlin: Springer Verlag, 1997), pp. 259–284.

¹⁰It is undoubtedly one of Mises's greatest achievements to have explained in depth the theoretical solution of the labor-value problem. It was, in fact, the great Austrian scholar who pointed out that only subjectivist economics and human action could rescue classical liberalism from the quagmire of classical economics, centered on the labor-value theory. See Ludwig von Mises, *Die Gemeinwirtschaft: Untersuchungen über den Sozialismus* (Jena: Gustav Fischer, 1922); Engl. trans. *Socialism: An Economic and Sociological Analysis* (Indianapolis: Liberty Press, 1981).

¹¹See F.A. Hayek, *The Counter-Revolution of Science: Studies on the Abuse of Reason* (Glencoe, Ill.: Free Press, 1952), p. 38, where Hayek writes that "methodological individualism" starts from the concepts which guide individuals in their actions, and not from the results of their theorizing about their actions. But see also F.A. Hayek, *The Sensory Order. An Inquiry into the Foundations of Theoretical Psychology* (London: Routledge and Kegan Paul, 1952).

out into the open the profound change that has come about in the sphere of classical liberalism and libertarianism, in order to allow these ideas to achieve greater popular appeal and therefore enable classical liberalism and libertarianism to compete more successfully on the market of ideas.

As Hayek pessimistically pointed out, the failure of early liberal constitutionalism and the necessity of formulating a new model¹² are now quite evident. However, we must reverse this trend. In other words, we must shake off the stigma and outworn image of being the defenders of laissez-faire capitalism, so much linked with last century's conservative social order, of those who naively thought that the reign of freedom would be ushered in by spontaneous historical evolution, and who accepted typical nineteenth-century optimistic historical finalism. For we know that the outcome of these nineteenth-century views has been radically different from what was expected.

Let me give you an example. You all know who Bruno Leoni was, and the contribution he made to libertarianism and classical liberalism. But perhaps you are not aware that *Freedom and the Law*—and I am extremely proud to have contributed to this achievement¹³—was published in his own country and in the Italian language only two years ago. Prior to that time, the overwhelming majority of the Italian intellectual establishment was totally unaware even of the existence of the book. This goes to show, besides proving the old latin motto *nemo propheta in patria*, how it is perfectly possible to have good ideas and yet to live out one's life in total obscurity.

The impact of Leoni's ideas in the Italian context has not been one of rejection, but rather one of intense curiosity. It led to the realization that the author of what is undeniably a classic of liberalism was putting forward ideas and arguments that seemed light years away from stereotyped Italian beliefs on classical liberalism, usually equated to a conservative social order. We must be able to exploit such circumstances.

I will now give you another example. Very often, when speaking of libertarianism, opponents and skeptics alike seek to stress the unreality of its fundamental assumptions. This issue must be addressed from two different points of view. The first is that of the theoretical soundness of anarcho-capitalism. The second is an issue of an empirical nature. In this case, the theo-

¹²Hayek, *Law, Legislation and Liberty*, p. 1.

¹³Raimondo Cubeddu, "Introduzione" to Bruno Leoni, *La libert e la legge* (Macerata: Liberilibri, 1995); Ital. trans. of *Freedom and the Law*.

retical well-foundedness of libertarian arguments is no less rock-solid than the principles underlying the basic assumptions of mathematical economics that characterize the theory of general economic equilibrium. Yet, because of the way that these different concepts have been presented, the mathematical principles enjoy widespread acclaim while libertarian ideas struggle to gain currency.

As Mises pointed out, any political regime is capable, albeit for a limited period of time, of maintaining its grip through the use of force. But this does not mean that other models of political association are unrealistic or utopian simply because they are non-violent.

If we are serious about spreading our ideas, we need to recognize that, unfortunately, the metaphor of the invisible hand, and the expression *laissez faire*, do not work to our advantage. This is due to the fact that even though we know perfectly well that “order is not a necessity but a possibility,” such expressions involve the risk of portraying us as naively believing in the existence of social mechanisms which, if individuals are left free to pursue their own ends, will evolve by a sort of unexplained spontaneous order into the best possible outcome.

By the same token, we must also guard against falling into another trap, associated with the search for the best solution to the political problem. Classical thinkers, for whom political philosophy embodied the quest for the best political regime, regarded the so-called “political problem” as the problem *par excellence*. In attempting to devise our own solution, we should not be misled into thinking that it can be solved *inductively*, either now or at some future time, by coming into possession of an ever-increasing amount of information or by gaining access to information. I do not mean to imply that this is non-essential, but we must not lose sight of the concept that order—understood as the predictable outcomes of actions performed by free individuals—is first and foremost a process of *cultural selection* that goes on first in the individual, and only later is transmitted to society.

The speed at which it is possible today to gain access to information and to exchange information will not necessarily lead to a better order. Certainly, it will become possible to achieve a process of homogenization of expectations, but this will not automatically bring a significant increase in the opportunities for fulfillment of the expectations.

Just as bombarding an individual with information may ren-

der it impossible for him to organize the sensory stimuli from the outside world, so also can society as a whole be bogged down with information. Just as a wealth of stimuli and information may turn out to be an obstacle to the formation of an individual order, so might a social order be similarly overwhelmed with excessive information. The speed of circulation of expectation-satisfaction models may ultimately prove to be something of an obstacle to the social fulfillment of those expectation, and also to any assessment of their medium- and long-term effects. Thus, one might encounter individuals or social groups interacting according to behavioral models so different that total incommunicability ensues. In fact, a proliferation of models might actually accentuate insecurity.

The fact is that because of the unequal distribution of knowledge, there is no reason to hope that by separating freedom from “natural right” (in Rothbard’s terms),¹⁴ social problems will thereby be solved. The possibility of finding the best solution to a problem is linked both to a refinement of the critical method and to an increase in individual freedom. The point is that catalactics is a process of cultural selection whose outcome is uncertain, because the unequal distribution of knowledge, and the variable availability of time, means that even when individuals are perfectly free, they may not recognize the best solution when they come across it.

In conclusion, there exist solutions to practical problems which are not evaluated in the same way by all individuals. We would do well to ponder very seriously on the fact that some individuals may not even become aware of the existence of these solutions.

¹⁴See Murray N. Rothbard, *The Ethics of Liberty* (Atlantic Highlands, N.J.: Humanities Press, 1982).