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What Is the Enemy? **by Sheldon Richman**

As libertarians, what should we view as the great institutional threat to liberty? The most common answer is socialism. But that is far too general to be helpful because it leaves unspecified what kind of socialism and in the service of whose interests. In one sense the answers to those questions are unimportant: any (state) socialism threatens freedom. (“Socialism” is being used in its broadest sense to include government intervention in or management of the economy, whether or not the government formally “owns” the means of production; this would include fascism.) But at another, more relevant level the answers are crucial because they will help determine our strategy and tactics. Different socialisms call for different responses.

Which kind of state socialism is the greatest threat? We can rule out the Marxian kind of socialism/communism, in which workers rise up and overthrow the existing capitalist order and institute a dictatorship of the proletariat, followed by a worker-run stateless society. That’s not likely to happen.

What about an intensification of the welfare state, where government transfers ever more money from the taxpayers to privileged beneficiaries? That does seem to be what we should worry about. But that raises new questions, such as who are the most likely beneficiaries? To cut to the chase, it seems most likely that although there will be a variety of beneficiaries (the officially designated poor, environmentalists, et cetera), the major receivers of largess, and the main proponents of government expansion, will be businessmen.

In other words, the great threat to liberty is the corporate state, otherwise known as corporatism, state capitalism, and political capitalism. (The Therapeutic State falls into this category, because the prime beneficiaries are corporate medical providers.)

Fingering business as the chief enemy might go against the libertarian grain. Isn’t business what we’re all about? Well, no, not by a long shot. To be blunt, from time immemorial business has probably been the biggest opponent of the free market. Adam Smith knew it; so did the political economists who preceded and followed him. In terms of educating people about the

virtues of the free market, nothing has been more damaging than the identification of free markets with particular business interests, particularly Big Business.

Libertarianism is radical not conservative, and laissez faire protects no vested interests. Libertarians once were highly sensitive to this point. The great 19th-century champions of the market, such as Benjamin Tucker and the contributors to his *Liberty* magazine, thought of themselves as “free-market socialists” because they wanted no part of “capitalism,” which they viewed as the historical system in which government intervenes in behalf of capital and to the detriment of common workers. The word still denotes that for many, perhaps most, people. (Kevin Carson, a Tuckerite political economist and blogger, calls himself a “free-market anti-capitalist.”)

There have been other enemies of the free market in America, of course, but business has always been in a unique position to do it grave damage. A naive public identifies what businessmen want with the market system. Thus if businessmen support things perceived as bad, the market takes the blame. (Witness Enron and alleged “deregulation” of energy.)

On the international stage, this danger is writ large. The United States is assumed to favor free markets (“capitalism”), so when it meddles in other countries, supports dictators, and encourages (or imposes) interventionist economic measures, that is seen as consistent with the free-market philosophy. Resentment against those policies becomes resentment against the free market. This has done untold damage to the libertarian cause where it should have flourished. If capitalism means feudalism (stealing land from peasants), virtually forced labor in factories and mines, and wholesale violations of civil liberties (including torture), who would want any part of it?

Similarly, if capitalism at home means a system rigged in favor of cartelized industries and a nearly prohibitive regulatory/tax morass for small and would-be competitors, who needs it?

In other words, U.S. policy for years has made anti-capitalism appealing to millions of people at home and abroad by associating capitalism with corporatism and imperialism. These people should be libertarians.

The idea that businessmen have been the free market’s chief antagonists should cause no surprise. As a group, businessmen tend not to be philosophical or theoretical; they pride themselves on being practical. (There is always the rare exception.) Moreover, as a result of the first point, businessmen tend to see nothing wrong with using the government to hedge against uncertainty. Nothing is more uncertain than what the market will bring tomorrow. Consumers are fickle and unpredictable. They might have bought from Kmart yesterday, but that’s no guarantee they will do so today, and they need not give notice of their intention to shop elsewhere.

In a truly free market new products and services are always appearing, making dominant products passé. This is also true for the production of capital goods and for services. Thus under laissez faire, without government-bestowed privilege, market share is never guaranteed. Hence the

appeal of government action to stabilize markets, reduce “cutthroat” competition, maintain prices and profits, domesticate labor, and safeguard market share. It would be amazing if businessmen *did not* favor such things.

Business leaders also have an advantage in getting such measures passed. The people who run big companies have always been prominent and influential. The affinity between them and political leaders is more or less natural, as business stability is usually associated with national well-being. Moreover, as Public Choice gives us reason to expect, business interests, which stand to gain mightily from government intervention, have more incentive to build a prominent lobbying presence in Washington than do the masses of taxpayer-consumers, among whom the costs of any one intervention are thinly spread. (This is the Public Choice principle of concentrated benefits and dispersed costs.)

A history of intervention

All this may sound highly theoretical, but it finds support in American history. While the textbooks used in government schools unswervingly portray the Progressive Era and the New Deal as left-wing, or “liberal,” responses to the abuses of big business, nothing could be further from the truth. In each case the business elite looked to government for help. (Government intervention in behalf of business occurred throughout the 19th century, through land grants, tariffs, and internal improvements.)

As Gabriel Kolko shows in *The Triumph of Conservatism*, the late 19th century was *not* a period of increasing industrial concentration, restricted output, and rising prices. On the contrary, the Marxist Kolko documents, the American marketplace was as an advocate of laissez faire would expect: vigorously competitive, with dramatically expanding output and falling prices.

What were the nervous big corporate elite to do? At first, they tried market means to maintain their positions: mergers, buyouts, and the like. But as Kolko shows, these actions led only to inefficiency and further declines in market share. At that point there was only one thing left to do: turn to the state. The results were the Interstate Commerce Commission, Sherman Act, Food and Drug Administration, Federal Trade Commission, Federal Reserve System, federal meat inspection, and on and on. That such government intervention harmonized with the aspirations of statist intellectuals does not change the fact that the corporate elite looked to Washington to bring order to “disorderly” (that is, competitive) markets. It was the cartelization of the American economy, with consumers and workers the worse for it. When the United States entered World War I and embarked on formal economic planning, businessmen ran the government bureaus.

The New Deal was no different. Despite Franklin Roosevelt’s later class-warfare rhetoric, the New Deal (which really began under Herbert Hoover) gave big business much of what it wanted through NRA codes, managed markets, and the effective outlawing of competition. Even the labor legislation was consistent with the long-standing agenda of the corporate elite. While

some business leaders objected to the final form of the Wagner Act, they had for years supported pro-union laws through social-reform organizations such as the American Association for Labor Legislation and the National Civic Federation. Why would they support such laws? They were an effective way to abolish decentralized “wildcat” labor action and to diminish radical influences such as the International Workers of the World (Wobblies), which had plagued business previously. National legislation would bring “responsible” labor leaders to the conference table (as junior partners, of course), integrate them into the corporatist program, and use them to police their own ranks. The follow-on labor legislation hamstrung workers from engaging in conduct, such as secondary boycotts, which would be legal under laissez faire.

The foreign-policy component of the corporate system can’t be elaborated here, but its importance cannot be overstated. Most of U.S. foreign policy can be understood only if one grasps that business interests have looked to the government to secure foreign markets and foreign resources. Businessmen and politicians alike feared depression and civil unrest if government did not help business find ways to dispose of “surplus” output and secure investment opportunities for “surplus” capital. “Gunboat diplomacy” was one of those ways.

In sum, American economic history is not a history untainted by mercantilism and corporatism. While it is true that the system has become more pluralized, with greater access for self-styled labor, consumer, and environmentalist interests, it is still a system that aims to be amenable to the concerns of the corporate elite. Thus the chief opposition for libertarians is the business establishment that refuses to operate in a free market.

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