

## The Great Society: A Libertarian Critique

di Murray N. Rothbard |

The Great Society is the lineal descendant and the intensification of those other pretentiously named policies of 20th-century America: the Square Deal, the New Freedom, the New Era, the New Deal, the Fair Deal, and the New Frontier. All of these assorted Deals constituted a basic and fundamental shift in American life — a shift from a relatively laissez-faire economy and minimal state to a society in which the state is unquestionably king.<sup>[1]</sup>

In the previous century, the government could safely have been ignored by almost everyone; now we have become a country in which the government is the great and unending source of power and privilege. Once a country in which each man could by and large make the decisions for his own life, we have become a land where the state holds and exercises life-and-death power over every person, group, and institution. The great Moloch government, once confined and cabined, has burst its feeble bonds to dominate us all.

The basic reason for this development is not difficult to fathom. It was best summed up by the great German sociologist Franz Oppenheimer; Oppenheimer wrote that there were fundamentally two, and only two, paths to the acquisition of wealth. One route is the production of a good or service and its voluntary exchange for the goods or services produced by others. This method — the method of the free market — Oppenheimer termed “the economic means” to wealth. The other path, which avoids the necessity for production and exchange, is for one or more persons to seize other people’s products by the use of physical force. This method of robbing the fruits of another man’s production was shrewdly named by Oppenheimer the “political means.” Throughout history, men have been tempted to employ the “political means” of seizing wealth rather than expend effort in production and exchange. It should be clear that while the market process multiplies production, the political, exploitative means is parasitic and, as with all parasitic action, discourages and drains off production and output in society. To regularize and order a permanent system of predatory exploitation, men have created the state, which Oppenheimer brilliantly defined as “the organization of the political means.”<sup>[2]</sup>

Every act of the state is necessarily an occasion for inflicting burdens and assigning subsidies and privileges. By seizing revenue by means of coercion and assigning rewards as it disburses the funds, the state *creates* ruling and ruled “classes” or “castes”; for one example, classes of what Calhoun discerned as net “taxpayers” and “tax-consumers,” those who live off taxation.<sup>[3]</sup> And since, by its nature, predation can only be supported out of the surplus of production above subsistence, the ruling class must constitute a minority of the citizenry.

Since the state, nakedly observed, is a mighty engine of organized predation, state rule, throughout its many millennia of recorded history, could be preserved only by persuading the bulk of the public that its rule has not really been exploitative — that, on the contrary, it has been necessary, beneficent, even, as in the Oriental despotisms, divine. Promoting this ideology among the masses has ever been a prime function of intellectuals, a function that has created the basis for co-opting a corps of intellectuals into a secure and permanent berth in the state apparatus. In former centuries, these intellectuals formed a priestly caste that was able to wrap a cloak of mystery and quasi divinity about the actions of the state for a credulous public. Nowadays, the apologia for the state takes on more subtle and seemingly scientific forms. The process remains essentially the same.<sup>[4]</sup>

In the United States, a strong libertarian and antistatist tradition prevented the process of statization from taking hold at a very rapid pace. The major force in its propulsion has been that favorite theater of state expansionism, brilliantly identified by Randolph Bourne as “the health of the state,” namely, war. For although in wartime various states find themselves in danger from one another, every state has found war a fertile field for spreading the myth among its subjects that *they* are the ones in deadly danger, from which their state is protecting them. In this way states have been able to

dragoon their subjects into fighting and dying to save them under the pretext that the *subjects* were being saved from the dread foreign enemy. In the United States, the process of statization began in earnest under cover of the Civil War (conscription, military rule, income tax, excise taxes, high tariffs, national banking and credit expansion for favored businesses, paper money, land grants to railroads), and reached full flower as a result of World Wars I and II, to finally culminate in the Great Society.

The recently emerging group of “libertarian conservatives” in the United States have grasped a part of the recent picture of accelerated statism, but their analysis suffers from several fatal blind spots. One is their complete failure to realize that war, culminating in the present garrison state and military-industrial economy, has been the royal road to aggravated statism in America. On the contrary, the surge of reverent patriotism that war always brings to conservative hearts, coupled with their eagerness to don buckler and armor against the “international Communist conspiracy,” has made the conservatives the most eager and enthusiastic partisans of the Cold War. Hence their inability to see the enormous distortions and interventions imposed upon the economy by the enormous system of war contracts.[\[5\]](#)

Another conservative blind spot is their failure to identify *which groups* have been responsible for the burgeoning of statism in the United States. In the conservative demonology, the responsibility belongs only to liberal intellectuals, aided and abetted by trade unions and farmers. Big businessmen, on the other hand, are curiously exempt from blame (farmers are small enough businessmen, apparently, to be fair game for censure.) How, then, do conservatives deal with the glaringly evident onrush of big businessmen to embrace Lyndon Johnson and the Great Society? Either by mass stupidity (failure to read the works of free-market economists), subversion by liberal intellectuals (e.g., the education of the Rockefeller brothers at Lincoln School), or craven cowardice (the failure to stand foursquare for free-market principles in the face of governmental power).[\[6\]](#) Almost never is *interest* pinpointed as an overriding reason for statism among businessmen. This failure is all the more curious in the light of the fact that the laissez-faire liberals of the 18th and 19th centuries (e.g., the Philosophical Radicals in England, the Jacksonians in the United States) were never bashful about identifying and attacking the web of special privileges granted to businessmen in the mercantilism of their day.

In fact, one of the main driving forces of the statist dynamic of 20th-century America has been big businessmen, and this long before the Great Society. Gabriel Kolko, in his path-breaking *Triumph of Conservatism*,[\[7\]](#) has shown that the shift toward statism in the Progressive period was impelled by the very big-business groups who were supposed, in the liberal mythology, to be defeated and regulated by the Progressive and New Freedom measures. Rather than a “people’s movement” to check big business; the drive for regulatory measures, Kolko shows, stemmed from big businessmen whose attempts at monopoly had been defeated by the competitive market, and who then turned to the federal government as a device for compulsory cartellization. This drive for cartellization through government accelerated during the New Era of the 1920s and reached its apex in Franklin Roosevelt’s NRA. Significantly, this exercise in cartellizing collectivism was put over by organized big business; after Herbert Hoover, who had done much to organize and cartellize the economy, had balked at an NRA as going too far toward an outright fascist economy, the US Chamber of Commerce won a promise from FDR that he would adopt such a system. The original inspiration was the corporate state of Mussolini’s Italy.[\[8\]](#)

The formal corporatism of the NRA is long gone, but the Great Society retains much of its essence. The locus of social power has been emphatically assumed by the state apparatus. Furthermore, that apparatus is permanently governed by a coalition of big-business and big-labor groupings, groups that use the state to operate and manage the national economy. The usual tripartite *rapprochement* of big business, big unions, and big government symbolizes the organization of society by blocs, syndics, and corporations, regulated and privileged by the federal, state, and local governments. What this all amounts to in essence is the “corporate state,” which, during the 1920s, served as a

beacon light for big businessmen, big unions, and many liberal intellectuals as the economic system proper to a 20th-century industrial society.[\[9\]](#)

The indispensable intellectual role of engineering popular consent for state rule is played, for the Great Society, by the liberal intelligentsia, who provide the rationale of “general welfare,” “humanity,” and the “common good” (just as the conservative intellectuals work the other side of the Great Society street by offering the rationale of “national security” and “national interest”). The liberals, in short, push the “welfare” part of our omnipresent welfare-warfare state, while the conservatives stress the warfare side of the pie. This analysis of the role of the liberal intellectuals puts into more sophisticated perspective the seeming “sellout” of these intellectuals as compared to their role during the 1930s. Thus, among numerous other examples, there is the seeming anomaly of A.A. Berle and David Lilienthal, cheered and damned as flaming progressives in the ‘30s, now writing tomes hailing the new reign of big business. Actually, their basic views have not changed in the least. In the ‘30s, these theoreticians of the New Deal were concerned with condemning as “reactionaries” those big businessmen who clung to older individualist ideals and failed to understand or adhere to the new monopoly system of the corporate state. But now, in the 1950s and 1960s, this battle has been won; big businessmen are all eager to be privileged monopolists in the new dispensation, and hence they can now be welcomed by such theorists as Berle and Lilienthal as “responsible” and “enlightened,” their “selfish” individualism a relic of the past.

The cruelest myth fostered by the liberals is that the Great Society functions as a great boon and benefit to the poor; in reality, when we cut through the frothy appearances to the cold reality underneath, the poor are the major victims of the welfare state. The poor are the ones to be conscripted to fight and die at literally slave wages in the Great Society’s imperial wars. The poor are the ones to lose their homes to the bulldozer of urban renewal, that bulldozer that operates for the benefit of real-estate and construction interests to pulverize available low-cost housing.[\[10\]](#)

All this, of course, in the name of “clearing the slums” and helping the aesthetics of housing. The poor are the welfare clientele whose homes are unconstitutionally but regularly invaded by government agents to ferret out sin in the middle of the night. The poor (e.g., Negroes in the South) are the ones disemployed by rising minimum-wage floors, put in for the benefit of employers and unions in higher-wage areas (e.g., the North) to prevent industry from moving to the low-wage areas. The poor are cruelly victimized by an income tax that Left and Right alike misconstrue as an egalitarian program to soak the rich; actually, various tricks and exemptions insure that it is the poor and the middle classes who are hit the hardest.[\[11\]](#)

The poor are victimized too by a welfare state of which the cardinal macroeconomic tenet is perpetual if controlled inflation. The inflation and the heavy government spending favor the businesses of the military-industrial complex, while the poor and the retired, those on fixed pensions or Social Security, are hit the hardest. (Liberals have often scoffed at the anti-inflationists’ stress on the “widows and orphans” as major victims of inflation, but these remain major victims nevertheless.) And the burgeoning of compulsory mass public education forces millions of unwilling youth off the labor market for many years, and into schools that serve more as houses of detention than as genuine centers of education.[\[12\]](#)

Farm programs that supposedly aid poor farmers actually serve the large wealthy farmers at the expense of sharecropper and consumer alike; and commissions that regulate industry serve to cartelize it. The mass of workers is forced by governmental measures into trade unions that tame and integrate the labor force into the toils of the accelerating corporate state, there to be subjected to arbitrary wage “guidelines” and ultimate compulsory arbitration.

The role of the liberal intellectual and of liberal rhetoric is even more stark in foreign economic policy. Ostensibly designed to “help the underdeveloped countries,” foreign aid has served as a gigantic subsidy by the American taxpayer of American export firms, a similar subsidy to American foreign investment through guarantees and subsidized government loans, an engine of inflation for the recipient country, and a form of massive subsidy to the friends and clients of US imperialism in the recipient country.

The symbiosis between liberal intellectuals and despotic statism at home and abroad is, furthermore, no accident; for at the heart of the welfarist mentality is an enormous desire to “do good to” the mass of other people, and since people don’t usually wish to be done good to — since they have their own ideas of what they wish to do — the liberal welfarist inevitably ends by reaching for the big stick with which to push the ungrateful masses around. Hence, the liberal ethos itself provides a powerful stimulant for the intellectuals to seek state power and ally themselves with the other rulers of the corporate state. The liberals thus become what Harry Elmer Barnes has aptly termed “totalitarian liberals.” Or, as Isabel Paterson put it a generation ago:

“The humanitarian wishes to be a prime mover in the lives of others. He cannot admit either the divine or the natural order, by which men have the power to help themselves. The humanitarian puts himself in the place of God.

But he is confronted by two awkward facts; first, that the competent do not need his assistance; and second, that the majority of people ... positively do not want to be “done good” by the humanitarian.... Of course, what the humanitarian actually proposes is that he shall do what he thinks is good for everybody. It is at this point that the humanitarian sets up the guillotine”.[\[13\]](#)

The rhetorical role of welfarism in pushing people around may be seen clearly in the Vietnam War, where American liberal planning for alleged Vietnamese welfare has been particularly prominent, e.g., in the plans and actions of Wolf Ladejinsky, Joseph Buttinger, and the Michigan State group. And the result has been very much of an American-operated “guillotine” for the Vietnamese people, North and South.[\[14\]](#)

And even *Fortune* magazine invokes the spirit of humanitarian “idealism” as the justification for the United States’ falling “heir to the onerous task of policing these shattered colonies” of Western Europe, and exerting its might all over the world. The will to make this exertion to the uttermost, especially in Vietnam and perhaps China, constitutes for *Fortune*, “the unending test of American idealism.”[\[15\]](#) This liberal-welfarist syndrome may also be seen in the very different area of civil rights, in the terribly pained indignation of white liberals at the recent determination of Negroes to take the lead in helping themselves, rather than to keep deferring to the Lords and Ladies Bountiful of white liberalism.

In sum, the most important fact about the Great Society under which we live is the enormous disparity between rhetoric and content. In rhetoric, America is the land of the free and the generous, enjoying the fused blessings of a free market tempered by and joined to accelerating social welfare, bountifully distributing its unstinting largesse to the less fortunate in the world. In actual practice, the free economy is virtually gone, replaced by an imperial corporate-state Leviathan that organizes, commands, exploits the rest of society and, indeed, the rest of the world, for its own power and pelf. We have experienced, as Garet Garrett keenly pointed out over a decade ago, a “revolution within the form.”[\[16\]](#) The old limited republic has been replaced by empire, within and without our borders.

## Notes

[\[1\]](#) Recent triumphal disclosures by economic historians that pure laissez-faire did not exist in 19th-century America are beside the point; no one ever claimed that it did. The point is that state power in society was minimal, relative to other times and countries, and that the general locus of decision making resided therefore in the individuals making up society rather than in the state. Cf. Robert Lively, “The American System,” *Business History Review*, XXIX (1955), pp. 81–96.

[\[2\]](#) Franz Oppenheimer, *The State* (New York, 1926), pp. 24–27. Or, as Albert Jay Nock, heavily influenced by Oppenheimer’s analysis, concluded: “The state claims and exercises the monopoly of crime” in its territorial area. Albert Jay Nock, *On Doing the Right Thing, and Other Essays* (New York, 1928), p. 143.

[\[3\]](#) See John C. Calhoun, *Disquisition on Government* (Columbia, S. C., 1850). On the distinction between this and the Marxian concept of the ruling class, see Ludwig von Mises, *Theory and*

*History* (New Haven, Conn., 1957), pp. 112 ff. Perhaps the earliest users of this kind of class analysis were the French libertarian writers of the Restoration period of the early 19th century, Charles Comte and Charles Dunoyer. Cf. Elie Halevy, *The Era of Tyrannies* (Garden City, N. Y., 1965), pp. 23–34.

[4] On various aspects of the alliance between intellectuals and the state, see George B. de Huszar, ed., *The Intellectuals* (Glencoe, Ill., 1960); Joseph A. Schumpeter, *Capitalism, Socialism, and Democracy* (New York, 1942), pp. 143–55; Karl A. Wittfogel, *Oriental Despotism* (New Haven, Conn., 1957); Howard K. Beale, “The Professional Historian: His Theory and Practice,” *The Pacific Historical Review* (August, 1953), pp. 227–55; Martin Nicolaus, “The Professor, The Policeman and the Peasant,” *Viet-Report* (June-July, 1966), pp. 15–19.

[5] Thus, cf. H.L. Nieburg, *In the Name of Science* (Chicago, 1966); Seymour Melman, *Our Depleted Society* (New York, 1965); C. Wright Mills, *The Power Elite* (New York, 1958).

[6] (Note by original editors referring to another essay in the collection.)

[7] New York, 1963. Also see Kolko’s *Railroads and Regulation* (Princeton, N. J., 1965). The laudatory review of the latter book by George W. Hilton (*American Economic Review*) and George W. Wilson (*Journal of Political Economy*) symbolize a potential alliance between “New Left” and free-market historiography.

[8] The National Recovery Administration, one of the most important creations of the early New Deal, was established by the National Industrial Recovery Act of June, 1933. It prescribed and imposed codes of “fair competition” upon industry. It was declared unconstitutional by the Supreme Court in 1935. For an analysis of the inception of the NRA, see my *America’s Great Depression* (Princeton, N. J., 1963).

[9] Part of this story has been told in John P. Diggins, “Flirtation with Fascism: American Pragmatic Liberals and Mussolini’s Italy,” *American Historical Review*, LXXI (January, 1966), pp. 487–506.

[10] See Martin Anderson, *The Federal Bulldozer* (Cambridge, Mass., 1964).

[11] Thus, see Gabriel Kolko, *Wealth and Power in America* (New York, 1962).

[12] Thus, see Paul Goodman, *Compulsory Mis-Education and The Community of Scholars* (New York, Vintage paperback edition, 1966).

[13] Isabel Paterson, *The God of the Machine* (New York, 1943), p. 241.

[14] See John McDermott, “Welfare Imperialism in Vietnam,” *The Nation* (July 25, 1966), pp. 76–88.

[15] *Fortune* (August, 1965). As the right wing of the Great Society Establishment, *Fortune* presumably passes the Berle-Lilienthal test as spokesman for “enlightened” as opposed to narrowly “selfish” capitalism.

[16] Garet Garrett, *The People’s Pottage* (Caldwell, Idaho, 1953).