FIRST PLACE

The Limits of Neoliberalism

Ludwig Von Mises, Michael Oakeshott, and the American Liberal Tradition

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Introduction

Jealousy is a universal feature of the human condition. Every major religious tradition—from Zeus and Hera in Greek mythology to Cain and Abel in the Hebrew Bible—is filled with stories of the envy that is naturally provoked by the perception that one's peers possess unfair or unjust privileges. But while inequality has always caused a certain amount of social discontent, the disparities produced by liberal democracy have hardened these grievances into a concrete ideological opposition to the entire liberal system *itself*, spawning a revolutionary political movement dedicated to achieving a socially engineered "equality" through the sweeping expansion of coercive state power and the large-scale redistribution of resources at the hands of central planners. Paradoxically, this radical egalitarian tendency seems to be endemic to the liberal order, deriving from the anxiety that the free society induces in a segment of its citizens. And that anxiety is the basis for a distinctly *anti*-liberal political project—which, in turn, presents a significant challenge to the cause of limited government and individual liberty in the modern West.

This phenomenon was written about at length by two of the most influential classical liberal thinkers of the 20th century, Ludwig Von Mises and Michael Oakeshott. Both the Austrian economist and the British political philosopher classify the modern backlash to liberalism as a fundamentally *psychological* problem, stemming from the neurotic reaction that liberty induces in a certain kind of individual. "The root of the

opposition to liberalism...does not stem from the reason, but from a pathological mental attitude,"[1] Mises writes. And that "pathological mental attitude" stems from a distrust of individual liberty *itself*—a deeply reactionary kind of anti-liberal politics that Oakeshott describes as being organized around "a morality...not of 'liberty' and 'self-determination,' but of 'equality' and 'solidarity'...a new morality generated in opposition to the hegemony of individuality."[2] This essay is an attempt to better understand the consequences of this "new morality," comparing and contrasting the two theorists' perspectives on the issue in the hopes of illuminating the unresolved tensions that continue to exist within the liberal tradition.

The divergent ways in which Mises and Oakeshott conceive of modern anti-liberalism point to significant philosophical differences between "neoliberal" and traditional (or "classical") liberal political thought. My central endeavor in the following essay, then, is to show how these differences should inform the way modern liberals think about the foundations and objectives of human freedom. Section I will examine Mises' view of the "Fourier complex" —that is, the irrational "resentment and envious malevolence"[3] that arises in response to liberal democratic capitalism—and how it manifests as a threat to individual liberty. Section II proceeds to compare the concept of the Fourier complex with Oakeshott's idea of the "individual *manqué*," which is the British theorist's interpretation of the "anti-individual" counter-reaction to liberalism. Section III shows how the differences between the two thinkers' conceptions of the anti-liberal challenge reveal fundamental disparities between their respective political philosophies, exposing specific weaknesses in Mises' utilitarian theory of liberty vis-à-vis Oakeshott's more holistic account of the function and purpose of the free society. Finally, Section IV expands the discussion to include the classical liberalism of the American political tradition, situating the differences between Mises and Oakeshott in the context of the American Founding.

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[1] Mises, *Liberalism: In the Classical Tradition,* 13.
[2] Oakeshott, *Rationalism in Politics,* 374.
[3] Mises, *Liberalism: In the Classical Tradition,* 13.

I. The Fourier Complex and its Consequences

Why is it that our era of unprecedented freedom and material prosperity has been accompanied by the emergence of an energetic anti-liberal radicalism? The egalitarian attack on liberal politics and free market economics is certainly not derived from any concrete possibility of a better alternative—as Mises argues, "many of those who attack capitalism know very well that their situation under any other economic system will be less favorable."[4] But modern anti-liberalism is not primarily motivated by economic considerations; fundamentally, it stems from *an acute discomfort with liberty itself.* Given that the so-called Fourier complex is just as present among the educated elite as it is in the working classes, it cannot be the result of a widespread deficit in material standards of living. It should be understood, instead, as a reaction to the inescapable burden of individual agency that accompanies citizenship in a liberal society.

This phenomenon helps to explain the persistent appeal of the socialist project. "Time and again," Mises writes, "one hears socialists say that even material want will be easier to bear in a socialist society because people will realize that no one is better off than his neighbor."[5] The temptation of this promise is not that one would be better off in *absolute* terms in such a society—the free enterprise system is unmatched in that regard—but in that the individual citizen would not have to experience material want as *a reflection of his own personal incapacities*. The man afflicted by the Fourier complex is often taken by egalitarian politics because of his desire to alleviate the anxiety of personal responsibility: "For life would be unbearable for him without the consolation that he finds in the idea of socialism," Mises writes. "It tells him that not he himself, but the world, is at fault for having caused his failure; and this conviction raises his depressed self-confidence and liberates him from a tormenting feeling of inferiority."[6]

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[4] *Ibid,* 13.
[5] *Ibid,* 13.
[6] *Ibid,* 16.

Of course, revolutionary socialism is far less viable than it once was in the West. But this does not mean that the Fourierist neurosis has disappeared; anti-liberalism persists in a more insidious form in the continued growth of the regulatory state. While "the socialist ideal is now beginning to lose more and more of its adherents," Mises writes, "the hostile criticism to which the system of private ownership of the means of production has been subjected for decades has left behind such a strong prejudice against the capitalist system that, in spite of their knowledge of the inadequacy and impracticability of socialism, people cannot make up their minds to admit openly that they must return to liberal views."[7] Thus, in socialism's stead, modern liberal societies have largely embraced "a third way, a form of society standing midway between private ownership of the means of production, on the one hand, and communal ownership of the means of production, on the other."[8] In the abstract, this form of bureaucratized capitalism seems like a reasonable compromise, predicated on "a conceptual image of a regulated market, of a capitalism circumscribed by authoritarian rules, of private property shorn of its allegedly harmful concomitant features by the intervention of the authorities."[9] But in endeavoring to stake out a "moderate" middle ground between the discredited socialist system and the supposed evils of unfettered free enterprise, reformers often invite a series of new and unforeseen problems—particularly in the ill-conceived attempt to plan and direct the dynamism of the free market.

In short, the "third way" approach to political economy threatens the efficient function of the free society. Economic interventionism, in particular—often done in the name of the egalitarian counter-reaction to the capitalist system—is profoundly counterproductive. The bureaucratization that accompanies economic planning is an inherently flawed approach to social organization, for the lack of a profit motive renders the administrative state far more incompetent, inflexible and generally inept than private enterprise,

[7] *Ibid,* 76.
[8] *Ibid,* 76.
[9] *Ibid,* 76.

and these deficiencies are imposed on the entire economy when businesses are forced to operate according to the diktats of central planners. Describing this problem, Mises writes:

> As long as the activity of the state is restricted to the narrow field that liberalism assigns to it, the disadvantages of bureaucracy cannot, at any rate, make themselves too apparent. [But] they become a grave problem for the whole economy when the state (and naturally the same is true of municipalities and other forms of local government) proceeds to socialize the means of production and to take an active part in it or even in trade.[10]

In the anti-liberal approach to capitalism, then, the miraculous effects of the free enterprise system are successively diminished under the thumb of government bureaucrats. "Whether it is bound by a set of rigid regulations or the decisions of a control council or the consent of a superior authority," Mises writes, "bureaucratic management in any case continues to suffer from the unwieldiness and the lack of ability to adjust itself to changing conditions that have everywhere led public enterprises from one failure to another."[11] And this is a universal condition when it is carried out by the organs of state power: "In the interventionist state, every business is under the necessity of accommodating itself to the wishes of the authorities in order to avoid burdensome penalties."[12]

Thus, Mises concludes, the idea of a "compromise" between liberal and socialist economic policy is *itself* an illusion. The regulatory ambitions of the administrative bureaucracy "cannot be limited to one or a few branches of production, but must encompass them all"—central planning, however well-intentioned, inevitably does damage to the spontaneous order of free markets. In this way, the Fourierist resentment—an individual psychological condition that Mises describes as "a pathological mental attitude"[13]—eventually becomes a threat to the very heart of the capitalist system. "There is simply no other choice than this: either to abstain from interference in the free play of the market, or to delegate the entire

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[10] *Ibid,* 102.
[11] *Ibid,* 103.
[12] *Ibid,* 103.
[13] *Ibid,* 13.

management of production and distribution to the government," Mises writes. "Either capitalism or socialism: there exists no middle way."[14]

II. Anti-Liberalism and the Individual *Manqué*

Mises was not the only important thinker who connected the rise of anti-liberalism to a discomfort with individual liberty. The British political philosopher Michael Oakeshott characterized the political history of the post-Enlightenment West as a struggle between the two opposing characters of the "individual" and the "individual *manqué*" (or the "anti-individual"), representing two contrasting responses to the emergence of self-government in modern Europe. In the same way that Mises describes the resistance to liberalism as a psychological phenomenon, Oakeshott depicts the "individual" and "anti-individual" as distinct emotional reactions to both the uncertainties and the adventures presented by the liberal system, illustrated as two dueling personalities: With the advent of liberalism, those of the "individual" disposition celebrated their newfound agency as a blessing, while their "anti-individual" counterparts found the challenge of self-determination to be a loss, characterized by the deterioration of the comfort and security afforded by the traditional feudal lifestyle. Liberal societies were quickly divided by the tensions between these two rival instincts. Describing this development in his famous 1975 work *On Human Conduct,* Oakeshott writes:

> In a world being transformed by the aspirations and activities of those who embraced with enthusiasm the opportunities of self-disclosure and self-enactment which emerged from the desuetude of a communally organized life there were some (perhaps many) who found themselves invited to make choices for themselves in matters of belief, language, conduct, occupation, relationships and engagements of all sorts, but who could not respond. The old certainties of belief, of understanding, of occupation, and of status were being dissolved not only for those who had some confidence in their ability to inhabit a world composed of autonomous individuals (or who had some

[14] *Ibid,* 104.

> determination to do so), but also for those who by circumstances or temperament had no such confidence or determination.[15]

For Mises, the "Fourier complex" was an irrational mental condition—"a serious disease of the nervous system, a neurosis, which is more properly the concern of the psychologist than of the legislator."[16] But Oakeshott describes this phenomenon as a feature of *historical experience*: With the advent of the modern liberal state, "the familiar warmth of communal relationships was being dissipated for all alike, and an emancipation which excited some depressed and discomforted others," he writes. "In short, the circumstances of early modern Europe bred, not a single character, but two obliquely opposed characters, that of the individual and that of the individual *manqué*; and in one idiom or another they have been with us ever since those times."[17]

Like Mises, Oakeshott sees socialism and other egalitarian programs as a result of the desire to escape the challenges of liberty. "The determined 'anti-individual,'" Oakeshott writes, is "intolerant not only of superiority but of difference, disposed to allow in all others only a replica of himself, and united with his fellows in a revulsion from distinctness." And as a result, he is often the main constituent of the contemporary anti-liberal political project, which promises "a *solidarité commune* in which there [is] no distinction of persons and from which no one [is] to be exempt."[18] The politics of anti-liberalism—that is, the politics of the individual *manqué*—are opposed to the natural diversity of human experience and conduct that flourish in a free society, for the anti-individual's neurosis cannot be satisfied by the betterment of his material conditions alone: "No promise, or even offer, of self-advancement could tempt this 'anti-individual,'" Oakeshott writes. "He was moved solely by the opportunity of complete escape from the anxiety of not being an individual, the opportunity of removing from the world all that convicted him of his

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[15] Oakeshott, *On Human Conduct,* 275.
[16] Mises, *Liberalism: In The Classical Tradition,* 13.
[17] Oakeshott, *On Human Conduct,* 275.
[18] *Ibid,* 278-279.

inadequacy."[19] It is not any measurable defect in standard of living that tortures this character, but the unpredictability and erratic diversity of the free society *itself*. And for this reason, the anti-individual is necessarily suspicious of whatever residual liberties his fellow citizens might still enjoy:

> This condition of human circumstances was seen to be impossible unless it were imposed upon all alike. So long as 'others' were permitted to make choices for themselves, not only would his anxiety at not being able to do so himself remain to convict him of his inadequacy and threaten his emotional security, but also the social protectorate which he recognized as his counterpart would itself be disrupted.[20]

Such an intolerance of difference is done in the name of "solidarity," attempting to replace the spirit of individualism with that of the *mass man*, "whose sole distinction was his resemblance to his fellows and whose salvation lay in the recognition of others as merely replicas of himself,"[21] Oakeshott writes. The mass man "can have no friends (because friendship is a relation between individuals), but he has comrades"—and the political movements that he associates himself with "are not composed of individuals; they are composed of 'anti-individuals' united in a revulsion from individuality."[22] For those who are incapable of making use of the opportunities presented by liberalism, the experience of individuality anywhere is a threat to security everywhere; the politics of the mass man are thus the politics of radical sameness. Mises and Oakeshott express this phenomenon in different terms, but the "Fourier complex" and the "individual *manqué*" are fundamentally descriptions of the same challenges to the liberal tradition.

Where Oakeshott and Mises diverge from one another, however, is on the question of the *consequences* of those challenges. While Mises was primarily interested in questions of economic efficiency and material conditions, Oakeshott emphasized the poetically adventurous spirit of individual liberty, and criticized bureaucratic collectivism for the threat it posed to the *experience* of self-determination—involving "'free' (that is, intelligent) agents disclosing and enacting themselves by

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[19] Oakeshott, *Rationalism in Politics,* 372.
[20] *Ibid,* 378.
[21] *Ibid,* 375.
[22] *Ibid,* 373.

responding to their understood contingent situations"[23]—rather than for its corrosive effects on the capitalist economy. Both thinkers describe the modern attacks on liberty as stemming from a psychological inability to navigate the challenges of individual agency, but their actual descriptions of that agency reveal important disagreements: Mises' "Fourier complex" is a reaction to material inequality, while Oakeshott's "individual *manqué*" is a reaction to the experience of agency in an uncertain world. And thus, as we will see in Section III, the two men see the problem of government-led central planning in entirely different terms. For Mises, the fundamental problem with the regulatory state is the threat it poses to the liberal economy's material productivity; for Oakeshott, the primary concern is the bureaucracy's constriction of the adventure of individuality.

III. A Conflict of Visions

These dueling conceptions of liberalism reveal foundational differences between the two great classical liberal theorists. Oakeshott has the perspective of the philosopher: His affinity for liberty is not derived from any notion of efficiency or numerically measurable living standards so much as it is a recognition of the "unrehearsed adventure"[24] of freedom that can only be enjoyed by self-determining individuals. Mises, on the other hand, was an economist, and approached political questions from the cold perspective of the "dismal science." While Oakeshott praises the liberal tradition for its "disposition to cultivate the 'freedom' inherent in agency, to recognize its exercise as the chief ingredient of human dignity, to enjoy it at almost any cost, and to concede virtue to personal autonomy acquired in self-understanding,"[25] Mises is primarily concerned with its material effects: "It is thanks to those liberal ideas that still remain alive in our society, to what yet survives in it of the capitalist system, that the great mass of our

[23] Oakeshott, *On Human Conduct,* 112.
[24] To use one of Oakeshott's favorite terms.
[25] Oakeshott, *On Human Conduct,* 274.

contemporaries can enjoy a standard of living far above that which just a few generations ago was possible only to the rich and especially privileged."[26]

One could feasibly argue that these distinctions are more a matter of emphasis than they are an indication of an actual divergence in worldviews. After all, both thinkers defended the institution of individual freedom in the West, and seemed to be in a considerable amount of agreement about the roots of contemporary anti-liberal sentiment. But the Austrian economist and the British political philosopher arrive at these positions from profoundly different philosophical understandings. In short, Oakeshott and Mises disagree on the question of *why* individual liberty is of fundamental importance. For Mises, liberty is a utilitarian instrument, justified by the fact that "free labor is incomparably more productive than slave labor [and] a system based on freedom for all workers warrants the greatest productivity of human labor and is therefore in the interest of all the inhabitants of the earth."[27] For Oakeshott, liberty is an *intrinsic good,* producing a spontaneously creative condition "in which agents recognize and disclose themselves...and continuously explore their relation with one another," filled with the endless possibilities of "a language which both contains and responds to their imaginative inventions."[28] These disagreements are not a mere difference of emphasis or perspective; they reveal an irreconcilable tension between the two philosophers' conceptions of liberalism itself.

A notable manifestation of this tension is visible in how the two thinkers approach the idea of equality, particularly as it pertains to the institution of equal treatment under an impartial rule of law. For Mises, the idea of equality existing precedent to positive human law is facially absurd:

> "Nothing, however, is as ill-founded as the assertion of the alleged equality of all members of the human race. Men are altogether unequal. Even between brothers there exist the most marked differences in physical and mental attributes...Men are not equal, and the demand for equality under the law can by no means be grounded in the contention that equal treatment is due to equals."[29]

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[26] Mises, *Liberalism: In The Classical Tradition,* 10.
[27] *Ibid,* 22.
[28] Oakeshott, *On Human Conduct,* 123.
[29] Mises, *Liberalism: In The Classical Tradition,* 28.

An impartial legal framework is a necessary feature of a functional liberal politics, Mises concedes—but only as a *means to an end*. In this view, equal treatment under the law is not a good for its own sake, but an instrument of economic and social utility:

> "There are two distinct reasons why all men should receive equal treatment under the law. One [is that] in order for human labor to realize its highest attainable productivity, the worker must be free, because only the free worker, enjoying in the form of wages the fruits of his own industry, will exert himself to the full. The second consideration in favor of the equality of all men under the law is the maintenance of social peace. It has already been pointed out that every disturbance of the peaceful development of the division of labor must be avoided. But it is well-nigh impossible to preserve lasting peace in a society in which the rights and duties of the respective classes are different. Whoever denies rights to a part of the population must always be prepared for a united attack by the disenfranchised on the privileged. Class privileges must disappear so that the conflict over them may cease."[30]

This is not Oakeshott's idea of equality. While he shares Mises' skepticism of abstract universalism, the idiosyncratic British theorist does not take an instrumentalist view of the liberal system; in fact, he consistently and vigorously opposed this kind of political thinking. Oakeshott sees the ideal of a just civil association as fundamentally being "a relationship of equals,"[31] not because of any kind of equal level of ability or achievement between individual citizens but because the neutral and equal application of the law means that associates are treated as ends in and of themselves, "joined not in seeking a common substantive satisfaction, but in virtue of their understanding and acknowledgement of the conditions of the practice concerned and of the relationship it entails."[32] Whereas Mises judges a political system by what it *produces*—that is, economic efficiency and other material measurements—Oakeshott's idea of the good society "is defined by its style more than its conclusions in particular cases."[33] In the latter formulation, political equality and liberty are defined as *conditions* rather than *outcomes*—a set of circumstances in which the individual is able to make use of the abundant possibilities of the moment on his own terms,

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[30] *Ibid,* 28.
[31] Oakeshott, *On Human Conduct,* 121.
[32] *Ibid,* 88.
[33] *Ibid,* 161.

taking the world as it is rather than perpetually attempting "to subdue it, and to extract from it what may be useful for satisfying wants."[34]

The form of equality that Oakeshott articulates is neither the Marxist "equality of outcome" nor the Misesian "equality as a means to an end." Oakeshott is not so naive as to think that every citizen is equal in intelligence, physical ability, or any other characteristic that distinguishes individuals from one another, but he maintains that the liberal institution of equal treatment under the law is an expression of respect for the equality of intrinsic *human dignity,* allowing individuals to choose how to live and associate for themselves. And while he does not *disagree* with the utilitarian justification for the rule of law—"government by rule of law (that is, by means of the enforcement by prescribed methods of settled rules binding alike on governors and governed)...is peculiarly appropriate to a free society,"[35] he writes—he also sees it as ultimately insufficient. For Oakeshott, the highest justification of legal equality lies in its recognition of citizens as self-determining agents rather than tools to be used in pursuit of a predetermined goal.

These comparisons reveal significant problems with Mises' defense of classical liberalism. Misesian liberalism does not take the idea of equal treatment under the law to be a reflection of a transcendent moral order, nor even a simple acknowledgment of the individual's inherent dignity and right to self-determination; instead, it is reduced to a tool of social engineering. For Mises, legal equality is a policy like any other—a mechanism instituted in pursuit of worker productivity, like infrastructure spending or lower corporate tax rates. This utilitarianism is a persistent feature of the Austrian economist's political thought. His view of property rights—an institutional foundation of liberal politics—provides yet another revealing example of this issue:

> In order to determine whether an institutional arrangement is to be regarded as the special privilege of an individual or of a class, the question one should ask is...only whether it is beneficial to the general public. If we reach the conclusion that only private ownership of the means of production makes possible the prosperous development of human society, it is clear that this is tantamount to

[34] Oakeshott, *Work and Play.*
[35] Oakeshott, *Rationalism in Politics,* 390.

> saying that private property is not a privilege of the property owner, but a social institution for the good and benefit of all...It is not on behalf of property owners that liberalism favors the preservation of the institution of private property. It is not because the abolition of that institution would violate property rights that the liberals want to preserve it. If they considered the abolition of the institution of private property to be in the general interest, they would advocate that it be abolished, no matter how prejudicial such a policy might be to the interests of property owners. However, the preservation of that institution is in the interest of all strata of society.[36]

Once again, this remarkably collectivist defense of private property puts Mises at odds with Oakeshott, who saw property rights as an individual's inherent "equal right to enjoy the ownership of his personal capacities."[37] In an important sense, then, we are confronted with two radically different kinds of classical liberalism. Oakeshott explicitly opposes the instrumentalist defense of liberal institutions offered by economists like Mises, describing it as a defect in modern liberal thought: "This is, perhaps, the main significance of Hayek's *Road to Serfdom*—not the cogency of his doctrine, but the fact that it is a doctrine," he writes in his essay *Rationalism in Politics*. "A plan to resist all planning may be better than its opposite, but it belongs to the same style of politics."[38] In essence, defending individual liberty on strictly utilitarian grounds (that is, on the idea that its value lies in a specific outcome) unwittingly cedes an important premise to the ideology of central planning, capitulating to the view of politics as an attempt to produce a particular collective social effect—rather than a specific and circumscribed activity with neither a "starting-place nor appointed destination" in which "the enterprise is to keep afloat on an even keel."[39]

IV. Liberalism and Moral Truth

Thus far, this essay has endeavored to critique Misesian classical liberalism by comparing it with the Oakeshottian alternative. But the defects in Mises' defense of liberty are indicative of larger tensions between modern libertarianism and traditional liberal political thought, particularly in the context of the

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[36] Mises, *Liberalism: In The Classical Tradition,* 30.
[37] Oakeshott, *Rationalism in Politics,* 393.
[38] *Ibid,* 26.
[39] *Ibid,* 60.

philosophical tradition of the American Founding: As Harry Jaffa writes, the principles that undergird our constitutional order are built upon the proposition "that every man had an equal right to be treated justly...as a matter of intrinsic worth."[40] The radical Jeffersonian assertion that "all men...are endowed by their Creator with certain unalienable Rights" was understood as a proclamation of the universal dignity of the human person—what Abraham Lincoln described as a "merely abstract truth, applicable to all men at all times"[41]—not a utilitarian instrument of social order. Mises, however, has little patience for the discussion of such abstract truths, at least in the context of politics: "We liberals do not assert that God or Nature meant all men to be free, because we are not instructed in the designs of God and of Nature, and we avoid, on principle, drawing God and Nature into a dispute over mundane questions,"[42] he writes. In Mises' view, equality under the law is not a reflection of any notions of natural right or transcendent justice, but merely a prudent policy for the maximization of market efficiency, derived from "sober considerations of utility...that constitute the argument in favor of the equality of all men under the law."[43]

But the American idea of equality is explicitly rooted in transcendent ideals—not just in terms of "the laws of nature and nature's God" but in what Jaffa describes as a positive commitment that the citizen "shares in virtue of his partnership in the nation," imposing "an overriding obligation to maintain the integrity, moral and physical, of that community which is the bearer of the truth" first expressed in the Declaration of Independence.[44] This uniquely American formulation evolved over time, beginning with the Declaration's proposition that "all men are created equal" and taken one step further by Lincoln to "specify," in Jaffa's words, "the optimum condition which the human mind can envisage...a condition *toward* which men have a duty ever to strive, not a condition *from* which they have a *right* to escape."[45]

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[40] Jaffa, *Crisis of a House Divided,* 320.
[41] Written by Lincoln in an 1859 letter to his slave-owning friend, Henry Pierce.
[42] Mises, *Liberalism: In The Classical Tradition,* 22.
[43] *Ibid,* 28.
[44] Jaffa, *Crisis of a House Divided,* 227-228.
[45] *Ibid,* 320.

Whereas Mises and Oakeshott defended the liberal institutions of individual liberty and the rule of law on economic and experiential grounds, respectively, Americans have always understood them as fundamentally *moral* entities, involving not just timeless principles but obligations that citizens have towards one another. The classical liberalism of the American tradition is therefore imbued with a set of explicitly transcendent requirements, organized around rights *and* responsibilities. This understanding originated with the Founding Fathers' conventionally Lockean formulation, but it was completed by Lincoln's philosophical innovations. Jaffa writes:

> Lincoln conceives of just government in the positive sense; indeed, according to Lincoln, the proposition 'all men are created equal' is so lofty a demand that the striving for justice must be an ever-present requirement of the human and political condition. While Lincoln most assuredly accepted the Declaration in its minimal, revolutionary meaning, he gave it a new dimension when he insisted that it provided a test not merely of legitimate government—i.e., of a government that *may* command our allegiance because it is not despotic—but of *good and just* government—i.e., of a government which may be loved and revered because it augments 'the happiness and value of life to all people of all colors everywhere.'[46]

The traditional American understanding of legal equality thus conceives of sovereignty and self-government as both negative Lockean rights and positive moral aspirations. Mises, alternatively, accepts the institution of equal treatment under the law as a necessary means to an end, but scoffs at the idea that "God created all men equal...breathing into all of them the breath of His spirit."[47] In Mises' own words, this is what distinguishes his political philosophy from that of the Framers: "Nowhere," he writes, "is the difference between the reasoning of the older liberalism and that of neoliberalism clearer and easier to demonstrate than in their treatment of the problem of equality."[48] But how are we to reconcile Mises' insistence that "men are and will always remain unequal," or his repeated claim that it is only "sober considerations of utility...that constitute the argument in favor of equality of all men under the law," or his derisive dismissal of "the liberals of the eighteenth century, guided by the ideas of natural law and the

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[46] *Ibid,* 321.
[47] Mises, *Liberalism: In The Classical Tradition,* 28.
[48] *Ibid,* 27.

Enlightenment"[49] with a political tradition predicated upon the self-evident truth of universal human equality? Indeed, how can we read the passages quoted above as anything other than an explicit repudiation of the philosophical foundations of the American Revolution?

In contrast to Mises' utilitarian outlook, universal equality is the insight that sits at the very foundation of America's intellectual, political and moral inheritance. It is the idea that, in the words of Ronald Reagan, "created a nation built on a universal claim to human dignity, on the proposition that every man, woman, and child had a right to a future of freedom"[50]—and "those majestic words of the Declaration of Independence, words lifted to cosmic proportions"[51] were what Martin Luther King, Jr. described as "a promissory note to which every American was to fall heir,"[52] reminding us of the inescapable moral universalism of "the dignity and worth of the human personality" contained in our founding documents during the Civil Rights Movement of the 1960s. To make all of this a question of economic productivity, which is to be maintained or discarded based on its capacity to produce an efficient and orderly marketplace, is to destroy the fundamental conception of human dignity—*imago Dei*—that forms the foundation of our young republic.

The explicitly and self-consciously moral character of the American Revolution—and the unique liberal tradition that emerged from it—is not only an indispensable feature of our freedom, but is what has bent the arc of our national history toward the full realization of our founding ideals, providing a sense of direction for the "ever-present requirement" of "striving for justice" that Jaffa describes. This fierce moral purpose is a *necessity*—not an optional feature—of a just political order such as ours. "Segregation is not only politically and economically unsound—that is not what makes it wrong," King famously said.

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[49] *Ibid,* 28.
[50] From Reagan's Independence Day speech at the rededication of the Statue of Liberty, given on July 4, 1986.
[51] From King's "The American Dream" sermon, originally delivered at Ebenezer Baptist Church in Atlanta, Georgia on July 4, 1965.
[52] From King's famous 1963 speech at the March on Washington.

"Ultimately, segregation is morally wrong and sinful."[53] But how can such moral and spiritual sentiments find a place in Mises' *explicitly* amoral political philosophy?

This is, I would venture, the irreconcilable difference between the neoliberalism articulated by Mises and the classical liberal philosophy of the American inheritance. Classical liberalism, at least as it has traditionally been understood in the United States, is not a morally "neutral" political philosophy. Even if it often avoids adjudicating moral questions through the exercise of state power, the American liberal order is nonetheless predicated on profound convictions about truth, justice and the purpose of politics. American history is the story of our gradual discovery of the fullest requirements of these convictions, first articulated as abstract truths in the Declaration of Independence and maturing—over the course of generations—into the "political religion" that Lincoln describes in his famous Lyceum Address.

The United States is not the first country to be afflicted by institutionalized injustices, but it is the first country wherein the existence of that injustice was *hypocritical*: Slavery and Jim Crow came to be understood as morally unconscionable because they flew in the face of the moral truths at the foundations of the American ideal. Considering these issues in the context of efficiency and productivity, as Mises and his neoliberal counterparts often do, reduces moral evils to simple economic nuisances. Material wealth is undeniably important, to be sure, but the America that young Union soldiers died for in Gettysburg—the same America that the Freedom Riders marched for in Alabama—is not measurable in terms of its gross domestic product. Liberalism, in its richest and fullest American iteration, is grounded in a permanent truth that is wholly inaccessible to numerical measurement. The ancient faith of the Founding Fathers sits outside of time and space; it is something that one *understands,* but is beyond the reach of our merely human capacity to express. We can only ever fully grasp it in passing moments: In the glimmer of possibility in the eyes of the frontiersman's daughter, the word "America" on the accented lips of the immigrant, or the

[53] From the aforementioned 1965 "American Dream" sermon.

hopeful chorus of the black protestors in the Jim Crow South who dared to believe that they, too, were created equal in the image of God.

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SECOND PLACE

Socialism as Antisocial

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The unshakeable belief of classical liberalism, as propounded by Ludwig von Mises, is that of human action. That is, action in accord with rationality, out of which civilization is formed. For the freedom to act upon one's opinion enables "concerted action, cooperation" and so, Mises stated, we arrive at society: "the outcome of conscious and purposeful behavior."[54] When there are many different persons, the principle of exchange allows their various actions to become more productive than any single person could be alone. Thus, civilization comes to be.

The socialist opposition to liberalism[55] is dangerously antisocial—to the point that, Mises warned, "antiliberalism is heading towards a general collapse of civilization."[56] The attack against civilization is rooted in misplaced resentment and delusion, both of which are contrary to rationality. The collapse may only be prevented by admitting the significance of human action, which is especially realized in the right of property.

I. The Right of Property

With a frankness discomfiting to the modern reader, Mises wrote that "men are altogether unequal" (28). For, Mises expounded, nature "never repeats itself in its creations; it produces nothing by the dozen, nor are its products standardized. Each man who leaves her workshop bears the imprint of the individual,

[54] Ludwig von Mises, *Human Action*, 194.
[55] In the preface of my edition of *Liberalism*, Bettina Bien Greaves noted that Mises advocated the reclamation of "the term 'liberal'" (*Liberalism*, vi). Out of respect for Mises' decision (and also to reduce confusion when quoting his material), I will largely use 'liberal' throughout this essay as Mises did—without the qualification of 'classical.'
[56] Ludwig von Mises, *Liberalism,* 3.

the unique, the never-to-recur" (*ibid*.). The liberal view of property is rooted in human action (or the labor a person does as a distinct individual).

Such an individualistic view was not always the case. The French historian, Numa Denis Fustel de Coulanges, recognized that the ancient Greeks and Romans "founded the right of property on principles different from those of the present generation."[57] Rather than rooting the right of property in the labor of an individual, "it appears that among the Greeks the conception of private property was developed exactly contrary to what appears to be the natural order. It was not applied to the harvest first, and to the soil afterwards, but followed the inverse order" (*ibid.*).

The right of property, as upheld by both the ancient Greeks and Romans, was inherently religious. Moreover, because it was based on laws built upon domestic religion, it was a right of a family (rather than of an individual):

> The family is attached to the altar, the altar is attached to the soil; an intimate relation, therefore, is established between the soil and the family. There must be his permanent home, which he will not dream of quitting, unless an unforeseen necessity constrains him to it. Like the hearth, it will always occupy this spot. This spot belongs to it, is its property, the property not simply of a man, but of a family, whose different members must, one after another, be born and die here. (Coulanges, 48)

The ancient view of property rights is worth considering because the ancient civilizations of Greece and Rome were untouched by any sort of Fouriersim. Among them, Coulanges stated, "a community of property was never established among the ancients. A phalanstery was never known" (49). Though the ancients could hardly be called liberals, they were not so antiliberal as to be socialists.

At its heart, property is the recognition that *something* is proper to *someone*. The ancients failed insofar as they did not recognize a distinction between something and someone. They considered a person able to be the *something* belonging to another person, but also associated property as belonging to the family (under the control of the patriarch as master, priest, and father) rather than to an individual *someone*.

[57] Numa Denis Fustel de Coulanges, *The Ancient City*, 47.

Socialists, however, deny the more essential characteristic of property: that of it being *proper to*. As a word, 'property' denotes particularity. For instance, in a chemistry discussion, one might say that hydrogen gas has the property of combustibility. As a right, property is necessarily exclusionary.

James Madison,[58] in his essay on the subject, particularly expressed this right to be "that dominion which one man claims and exercises over the external things of the world, in exclusion of every other individual."[59] This intrinsically exclusionary aspect of property, the ancients recognized. Regarding the hearth, upon which the ancients rooted their domestic religion, Coulanges wrote that:

> The sacred fire must be isolated—that is to say, completely separated from all that is not of itself; the stranger must not approach it at the moment when the ceremonies of the worship are performed, or even be in sight of it. […] In order that this religious rule may be well observed, there must be an enclosure around this hearth at a certain distance. It did not matter whether this enclosure was a hedge, a wall of wood, or one of stone. Whatever it was, it marked the limit which separated the domain of one sacred fire from that of another. […] This enclosure, traced and protected by religion, was the most certain emblem, the most undoubted mark of the right of property. (Coulanges, 48–49)

It is for this reason that Coulanges argued a Fourierist phalanstery could never exist in the ancient Greek or Roman civilizations: property was religiously private and could not be shared within a manufactured community.

Unlike the ancients, as previously stated, the liberal view gives the right of property to individuals. The advent of Christianity, Coulanges posited, induced the separation between ancient and modern politics—specifically, in that it enabled the ancient, domestic religion to be replaced. With "the sacred fires extinguished," Coulanges explained, "the ancient constitution of the family disappeared forever, and with

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[58] Regarding my use of Madison: in his introduction, Mises presents the ideas of "the authors of the Constitution and the Federalist papers" (both of which could apply to Madison) as contrary to Bismark's (*Liberalism*, xvii). Moreover, Mises recognizes that liberalism historically guided social policy in the United States: "The philosophers, sociologists, and economists of the eighteenth and the early part of the nineteenth century formulated a political program that served as a guide to social policy first in England and the United States, then on to the European continent, and finally in other parts of the inhabited world as well" (1). Though I was unable to find an instance Mises refers to Madison by name, it seemed likely that Mises would accept Madison's classically liberal view towards property. Not that I think it at all an oversight on Mises' part to not include Madison, or write more explicitly on classical liberalism in America—I recognize that his book was not intended for a specifically American audience.

[59] James Madison, "Property."

it the rules that had flowed from this source" (Coulanges, 341). This change allowed the liberal, labor-rooted view of property rights: "the right of property no longer flowed from religion, but from labor; its acquisition became easier, and the formalities of the ancient law were definitively abolished" (342). Property becoming an individual right, rooted in labor, did not negatively affect its privateness.

In fact, Madison proposed that property rights originate from the "diversity in the faculties of men."[60] In other words, individuals have the right of property because they are distinct from each other. Each person's abilities are naturally different, and different in ways that we are not always even able to identify: Mises pointed out that "we do not know what causes the inborn differences in human abilities. Science is at a loss to explain why Newton and Mozart were full of creative genius and why most people are not" (*Human Action*, 135). Our individuality—distinctiveness from other persons—acts as the ancient enclosure, marking our right of property. The fruits of our actions belong to us.

II. Inequality and Society

Precisely because of our different faculties, we can form societies, due to the economic principle of division of labor. According to Mises: "The division of labor turns the self-sufficient individual into the dependent on his fellow men, the social animal of which Aristotle spoke" (*Liberalism*, 25). Productive, society-building relationships ought to be characterized by interdependence between individuals. For this reason, a proper society can only exist when people are able to realize their diverse capabilities.

Millenia before Mises, Aristotle similarly argued that society is held together in justice "by proportionate requital."[61] To modernize his language, society is held together by exchange upon the basis of division of labor. For, though written in translated, antiquated, and not entirely economic terms, he argued:

> Now proportionate return is secured by cross-conjunction. Let A be a builder, B a shoemaker, C a house, D a shoe. The builder, then, must get from the shoemaker the latter's

[60] James Madison, "Republican Government" (Federalist no. 10).
[61] Aristotle*, Nicomachean Ethics*, 1132b.

> work, and must himself give him in return his own. If, then, first there is proportionate equality of goods, and then reciprocal action takes place, the result we mention will be effected. (1133a)

Money expedites the process of exchange—in the above example, it would take a great deal of shoes for a shoemaker to equally exchange the product of his labor for that of a house-builder's. Money acts as an intermediate (to use Aristotle's word). He wrote that, because of the principle of exchange, "all goods must have a price set on them; for then there will always be exchange, and if so, association of man with man" (1133b). Money provides definiteness to exchange between disparate properties; it enables contractual 'this-for-that.' And, Mises recognized, "human civilization as it has been hitherto known to historical experience is preponderantly a product of contractual relations" (*Human Action*, 253).

III. Resentment

Classical liberals are not anarchists. They recognize that, at times, legal enforcement should step in to uphold the rights necessary to exchange. According to liberalism, though every person is unique, all ought to be treated equally under the law. Mises gives two utilitarian reasons for this: first, because a free worker is the most productive; second, because privilege threatens social peace. By contrast, socialists object to equality before the law because they see property as a privilege.

Socialism attempts to artificially equalize the differences between people: "But," Mises wrote, "the socialists say, it is not enough to make men equal before the law. In order to make them really equal, one must allot them the same income" (*Liberalism,* 29). Essentially, socialists consider wealth inequalities to be evidence of privilege. They think themselves to be in a hegemonic system. Using Mises' definition, privilege is "an institutional arrangement favoring some individuals or a certain group at the expense of the rest" (*ibid.*).

In an actually hegemonic arrangement, resentment might be expected from the subjugated class; this sentiment, according to Mises, "is at work when one so hates somebody for his more favorable

circumstances that one is prepared to bear heavy losses if only the hated one might also come to harm" (prompt, *Liberalism*, 13). For even a subjugated person is left always with the choice, due to their rationality, of how to act. After all, the choice remains between rebellion (even futile rebellion) and willing integration into the hegemonic system:

> But no physical violence and compulsion can possibly force a man against his will to remain in the status of the ward of a hegemonic order. What violence or the threat of violence brings about is a state of affairs in which subjection as a rule is considered more desirable than rebellion. Faced with the choice between the consequences of obedience and of disobedience, the ward prefers the former and thus integrates himself into the hegemonic bond. Every new command places this choice before him again. In yielding again and again he himself contributes his share to the continuous existence of the hegemonic societal body. Even as a ward in such a system he is an acting human being, i.e., a being not simply yielding to blind impulses, but using his reason in choosing between alternatives. (*Human Action*, 251–52)

However, in a hegemonic system, the individual who remains obedient to the privileged class or person is left "at the mercy of the director" (252).

This type of system does not easily allow for rational exchange: for, in "choosing subjection in a hegemonic body a man neither gives nor receives anything that is definite. He integrates himself into a system in which he has to render indefinite services and will receive what the director is willing to assign to him" (*ibid.*). Without private property, exchange cannot occur in any real manner, because of the indefinite nature of any continuing economic interactions.

Though a person might be born into a hegemonic relationship,[62] economic relationships which are properly liberal are cooperative. Societal peace relies upon contractual cooperation. Without which, Mises argued: "Each man would have been forced to view all other men as his enemies; his craving for the satisfaction of his own appetites would have brought him into an implacable conflict with all his neighbors. No sympathy could possibly develop under such a state of affairs" (*Human Action*, 195).

[62] "It is true, people are as a rule born into the most important hegemonic bonds, into the family and into the state, and this was also the case with the hegemonic bonds of older days, slavery and serfdom, which disappeared in the realm of Western civilization" (*Human Action*, 252).

The reason resentment thrives within a hegemonic system is because such a 'society' is inherently warlike. That is, insofar as the privileged class takes advantage of the other members, contractual cooperation is denied: the ensuing relationships are not mutually beneficial—resentment-based policies exacerbate resentment. These policies pit members of society against each other. Though utopian socialists aim to do away with "privilege," they are destructive to society in their attempts to mandate equality. For, as Aristotle clarified, "a state[63] is not made up only of so many men, but of different kinds of men; for similars do not constitute a state. It is not like a military alliance."[64] Although an economic system of enforced equality between persons might *resemble* a society, it wouldn't properly allow individual, human action.

Monetary tampering, including wage equalization, destroys the signals by which people make rational decisions of proportional exchange. Contractual relationships require definiteness, but socialism denies just that: "it must forgo the intellectual division of labor that consists in the cooperation of all entrepreneurs, landowners, and workers as producers and consumers in the formation of market prices. But without it, rationality, i.e., the possibility of economic calculation, is unthinkable" (*Liberalism*, 75).

Rationality thus denied, the privileged class remains so by force. For societal bonds are either contractual or hegemonic. Mises is one among many to make this case:

> The distinction between these two kinds of social cooperation is common to all theories of society. Ferguson described it as the contrast between warlike nations and commercial nations; Saint Simon as the contrast between pugnacious nations and peaceful or industrial nations; Herbert Spencer as the contrast between societies of individual freedom and those of a militant structure; Sombart as the contrast between heroes and peddlers. The Marxians distinguish between the 'gentile organization' of a fabulous state of primitive society and the eternal bliss of socialism on the one hand and the unspeakable degradation of capitalism on the other hand. The Nazi philosophers distinguish the counterfeit system of bourgeois security from the heroic system of authoritarian *Führertum*. The valuation of both systems is different with the various sociologists. But they fully agree in the establishment of the

[63] Keeping in mind Aristotle's opening line of *Politics* ("Every state is a community of some kind […]"), I will not confine my arguments to literal *states* (1252a).
[64] Aristotle, *Politics*, 1261a.

> contrast and no less in recognizing that no third principle is thinkable and feasible. (*Human Action*, 253)

Whereas free contractual relations are conducive to peace and thereby productive (and so are distinctively human), "war, carnage, destruction, and devastation we have in common with the predatory beasts of the jungle" (*Liberalism*, 24). Human civilization depends on mutually beneficial, coordinated actions.

IV. The Fourier Complex

Socialist resentment is Fourierist. But while resentment merely tangentially attacks human action, the 'Fourier complex' directly opposes it. It is a delusion, a "saving lie." A lie which, Mises believed, an infected man clings to because it "not only consoles him for past failure, but holds out the prospect of future success" (*Liberalism*, 16). Mises was no romantic. Though he was a staunch advocate of the power of human action, he pragmatically noted:

> Scarcely one person in a million succeeds in fulfilling his life's ambition. The upshot of one's labors, even if one is favored by fortune, remains far inferior to what the wistful daydreams of youth allowed one to hope for. Plans and desires are shattered on a thousand obstacles, and one's powers prove too weak to achieve the goals on which one has set one's heart. (14)

This virulently anti-Disney reality is too much for the Fourierist, who retreats from it and instead takes "refuge in delusions" (15).

Specifically, the Fourierist finds consolation in socialism, a theory which "tells him that not he himself, but the world, is at fault for having caused his failure; and this conviction raises his depressed self-confidence and liberates him from a tormenting feeling of inferiority" (*Liberalism*, 16–17). That is, the deluded individual considers himself a victim of hegemony. Caught up in this idea, Fourierist socialists attempt to manufacture a society to 'rectify' their own failures. Of the utopian-minded socialists, Mises remarked:

> They drafted schemes for an earthly paradise in which pure reason alone should rule. They failed to realize that what they called absolute reason and manifest truth was the fancy of

> their own minds. They blithely arrogated to themselves infallibility and often advocated intolerance, the violent oppression of all dissenters and heretics. (*Human Action*, 118)

Therein lies the concerning difference between the sentiment of resentment and the Fourier complex: the claim to infallibility.

Charles Fourier put himself forward as the first to use the method of "absolute doubt" and "absolute deviation" in his research. He justified his means, writing that, "the method of Doubt must be applied to civilization; we must doubt its necessity, its excellence and its permanence."[65] Additionally, he intentionally set out to "deviate in every way from the paths followed by the uncertain sciences, which had never made the slightest discovery useful to society, and which, in spite of the immense progress of industry, had not even succeeded in warding off poverty" (*ibid.*). Resentment is illogical, but those caught in the Fourierist lie set themselves as uniquely rational—unlike anybody holding a contrary opinion. "The honest and conscientious truth-seekers," among whom Mises did not count Fourier, "have never pretended that reason and scientific research can answer all questions. They were fully aware of the limitations imposed upon the human mind" (*Human Action*, 119). It is not enough for the socialist, caught up in Fourierism, to believe their delusion. Their unreasonable lie is set as reasonable against every other view.

Fourierism actively encourages resentment because it blames others for one's own failures. Resentment, as already argued, leads to the societal institutionalization of hegemony. But by actively setting himself as the arbiter of reason, Fourier did more damage than mere resentment can: for human action is contingent upon the acknowledgement of the faculty of reason as *common* to every man. It is not a faculty which belongs to some, not to others. Any discussion of human interaction requires the admittance of a common rational faculty.[66] After all, "action without thinking, practice without theory are unimaginable.

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[65] Charles Fourier, *The Utopian Vision of Charles Fourier*, 95.

[66] "Reason is an ultimate given and cannot be analyzed or questioned by itself. The very existence of human reason is a nonrational fact. The only statement that can be predicted with regard to reason is that it is the mark that distinguishes man from animals and has brought about everything that is specifically human" (*Human Action*, 136–37).

The reasoning may be faulty and the theory incorrect-, but thinking and theorizing are not lacking in any action" (*Human Action*, 231).

Because people are also fallible, however, opinions will always differ. Madison wrote that just as property follows from people's diverse faculties—likewise, various opinions are "not less an insuperable obstacle to a uniformity of interests" (Madison, Federalist no. 10). Whereas socialists establish privilege based on a shared acceptance of a non-negotiable 'reason,' "liberalism fights with the weapons of the mind, and not with brute force and repression" (*Liberalism*, 57). A liberal's tool is that of persuasion, a socialist's, force.

By claiming to be victims, and uniquely reasonable, socialists can make their failure common. Deceiving themselves, they think that "even material want will be easier to bear in a socialist society because people will realize that no one is better off than his neighbor" (prompt, *Liberalism*, 14). Fundamentally, Fourierism denies human action. Socialists try to manufacture an 'equal society' because, in such a system, they could obscure their personal failures with the indefiniteness that is contractual exchange's alternative.

V. The Liberal Cure

The preservation of civilization requires individual acknowledgement of human action. Liberalism, in itself, is such an acknowledgement. Perseverance, grit, the value of sweat—all are upheld in contractual relationships. Accepting the reality of individual differences and allowing definite exchange to occur counteracts an antiliberal march towards civilization's collapse.

Despite being an illogical sentiment, resentment might be remedied by an appeal to reason: "It is, after all, not too difficult to make clear to a person who is filled with resentment that the important thing for him cannot be to worsen the position of his better situated fellow men, but to improve his own"

(*Liberalism*, 14). The merely resentful person could cease to be so upon the realization that property is not a privilege.

Definitionally, a privilege comes *at the expense* of those not granted it. However, a poor free man is not a victim of the wealthy; property is not exploitive. Private property, Mises insisted, provides benefits to every member of a society: "Even the poor man, who can call nothing his own, lives incomparably better in our society than he would in one that would prove incapable of producing even a fraction of what is produced in our own" (*Liberalism*, 30). The poor man, in an economically liberal society, might engage in uniquely beneficial labor—thus he can accumulate wealth and better his position.

Considered as a delusion, the Fourier complex cannot be simply argued away. For a delusion, Mises wrote (quoting Freud), is "'characterized by its resistance to attack by logic and reality'. It by no means suffices, therefore, to seek to talk the patient out of his delusion by conclusive demonstrations of its absurdity. In order to recuperate, the patient must overcome it" (*Liberalism*, 15). This, by no means, weakens the liberal position. Because of our rational but fallible nature, people will sometimes act irrationally and destructively.

The solution is not to homogenize individuals within a society; we cannot make a utopia. The Fourier complex may be cured only if those infected admit the power of their own actions. It must be cured by the acknowledgement of the truth that the delusion sought to disguise. People must recognize that they have autonomy, they can make decisions. In understanding the liberal cure, Aristotle is once again relevant. He wrote that "choice involves a rational principle and thought. Even the name seems to suggest that it is what is chosen before other things" (*Nicomachean Ethics*, 1112a). Fourierists must choose to embrace their human ability to act over their victim status, a resentment-filled position by which they justify manufacturing an 'equal' society.

Admittedly, this cure is painful. The patient 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" (*Liberalism*, 17). The pain is temporary, however. For, in a liberal society, economic exchange is mutually beneficial. That which the free worker sacrifices, Mises recognizes to be provisional—"the renunciation of an immediate and relatively minor advantage in exchange for a much greater ultimate benefit" (33).

It is historically and economically evident that liberal societies are prosperous societies. If a person finds him or herself impoverished in such a society, human action provides the means to greater wealth. What material happiness can be had, is largely made available by the social order proper to civilization. Finally, it is only by promoting the free action of individuals that we can thrive according to our shared, rational nature: as social animals.

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THIRD PLACE

An Economic Approach to the Anti-Capitalist Mentality

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Determining the economic and political system sufficient for societal welfare maximization has been at the forefront of political debate for centuries. For the most part, Liberal ideology, supporting economic agency and property rights, has been adopted. Economist Ludwig Von Mises supports Liberalism, indicating that anti-Liberalists reject liberalism because of envy. I explore the details of Von Mises' claims and provide behavioral insight drawn from traditional economic game theory. I provide evidence supporting Von Mises' claims, while expanding the argument with consistent evidence. Moreover, I explore the contemporary implications.

Introduction

Much of political and economic thought is dedicated to establishing policies capable of constructing and maintaining a free and just society. The corresponding levels of freedom and justice in a given society is a function of three variables: Individual rights, economic agency, and social norms. The goal of every society is constructing policies capable of maximizing the social welfare, with respect to these independent societal variables. Political theory attempts to reconcile issues surrounding individual rights, while economics derives the optimal market conditions necessary to maximize economic agency. Despite a unified goal of maximizing social welfare, there is no unanimous consensus on the combination of policies necessary for optimizing societal benefit. Different societies and cultures adopt widely contrasting policies. In contemporary western society, *Liberalism* is generally accepted as the best philosophy for a free and just society. The philosophy of Liberalism promotes individual freedoms and enterprise through a capitalist democracy. Despite the unquestionable advances initiated by free market capitalism and democracy, many contrasting ideologies are proposed as better alternatives. Most notable of these ideologies is socialism. Empirical evidence and deductive reasoning suggest that socialism is less than optimal for social welfare. Yet, the ideology is widely accepted and pursued in contemporary society. Socialism's persistence is primarily attributed to wealth inequality and envy. Economist Ludwig Von Mises posits that support of anti-liberal policies (e.g. socialism) stems from envy perpetrated by less fortunate members of society. Specifically, Mises states, "Many of those who attack capitalism know very well that their situation under any other economic system will be less favorable. Nevertheless, with full knowledge of this fact, they advocate a reform, e.g. socialism, because they hope that the rich, whom they envy, will also suffer under it."[67] This paper explores the validity of Mises' claims, as well as discusses the contemporary relevance for sustaining a free and just society.

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[67] Ludwig Von Mises, *Liberalism* (San Francisco: Cobden Press, 2002) 13.

To understand Mises' claims, we must first more fully investigate the contrasting ideologies of socialism and capitalism (i.e., anti-liberalism and liberalism). There are three primary differences between the economic systems. A capitalist system abides by the following factors:[68]

i. Means of production are privately owned by members of society.

ii. Individuals control ownership of their labor.

iii. Unregulated markets determine the price and quantity of goods and resources in society.

These three conditions ensure the efficient allocation of resources. This efficiency, or lack of waste, results in higher attainable levels of social welfare. To fully understand why these conditions are imperative to the optimization of social benefit, we consider them in more depth. If individuals privately own the means of production and their labor, there is more incentive for individual effort. Perhaps the most crucial factor for the welfare maximization is the efficient allocation of resources. When an individual's personal welfare is directly linked to his labor and capital productive capabilities, there is a greater incentive for him to perform optimally. Essentially, given that an individual is self-interested, he will operate at a level necessary to maximize individual welfare. If this assumption of rationality is homogeneously distributed across the population, the entire society maximizes its personal resources, thereby maximizing potential societal welfare. This theory holds true, as under most circumstances, humans behave rationally (Note: there are instances and circumstance in which the assumption of rationality fails). A capitalist system uses markets as the primary avenue for the allocation of resources and goods. Given the assumption of rationality, individuals in society will consume goods they value. Other members of society will produce these valued goods in order to meet the demand. This system not only ensures the exchange of valued goods, but the efficient exchange of valued goods. On an aggregate level, individuals have different means of acquiring these desired goods. In other words, if a producer were to overcharge for a certain good, the rational

[68] Pablo Gilabert and Martin O'Neill, *Stanford Encyclopedia of Philosophy: Socialism* (July 2020).

consumer would recognize better offers within the market, and substitute away from the over-valued product.[69] Effectively, suppliers are price takers in capitalist markets (assuming perfect competition). Capitalism's efficiency is derived from the aggregate rationality of society, which is comparatively stronger than efficiency of centralized power (i.e. socialism). This flexibility and efficiency in the market ensures that producers and consumers exchange goods at equilibrium value. Therefore, under a capitalist system, input resources are used efficiently, and sold at an accurate value. This efficiency results in little "dead weight loss," ensuring the maximization of societal welfare.

Socialism critiques free market capitalism, citing wealth inequality as an injustice created by capitalist markets. As the principal determinant of success in a capitalist system is an individual's capabilities, more talented and determined individuals enjoy higher levels of personal wealth. A Liberalist would have little issue with this wealth inequality, as the less talented individual is still better off under this system because of the aggregate gains spurred by the efficient allocation of resources. However, the anti-liberalist views this wealth inequality as an injustice on the part of the less talented individual.[70] To rectify this possible injustice, the socialist system creates a centralized power for the ownership and distribution of resources. Therefore, the primary difference between a socialist and capitalist system is who owns the scarce resources. As such, a socialist system is contrary to the liberal ideals of property rights and economic agency. Note, under the socialist system, the individual does not stand to benefit according to his effort level. This inevitably leads to under motivated workers, which translates to an allocatively inefficient use of the labor resource. Moreover, historical evidence suggests that centralized authorities are less efficient at distributing other resources as well. Nonetheless, each system has its merits and supporters.

Validity of Intellectual Origins

[69] Gilabert and O'Neill, *Socialism*, 1.
[70] Ibid

Ludwig Von Mises believes in the undeniable efficiency of the capitalist system. Moreover, he posits that supporters of socialism, do so exclusively out of envy. Mises states,

> "Resentment is at work when one so hates somebody for his more favorable circumstances that one is prepared to bear heavy losses if only the hated one might also come to harm. Many of those who attack capitalism know very well that their situation under any other economic system will be less favorable. Nevertheless, with full knowledge of this fact, they advocate a reform, e.g., socialism, because they hope that the rich, whom they envy, will also suffer under it."[71]

Mises indicates that the subordinate party member is so consumed by envy, that he would incur heavy economic losses, so long as the wealth inequality is closed. This attitude is irrational. In Mises' work *The Anti-Capitalist Mentality,* he explores the possible reasons for this irrational acceptance of worse circumstances. Mises concludes that this irrational ideology stems from envy of the more fortunate and shame of oneself. Under the unregulated capitalist system, economic mobility is entirely dependent on the capabilities of the individual. That is to say, there is no exogenous biased force preventing an individual's success. The demands of society are determined entirely by the members of said society. Any individual's inability to satisfy these societal demands is entirely his own lack of ability or ambition. Therefore, a subordinate member of society recognizes his societal position is entirely his fault. In other economic or political systems, the less talented individual maintains his dignity, pointing to the exogenous variable as the determining factor.[72] In either system these individuals compose the lower class, but in anti-liberal systems, they are accompanied by the talented, allowing them to maintain their dignity.

Similarly, supporters of anti-liberal policies resent the successful parties of liberal societies. Mises believes this ideology is the heart of the anti-capitalist's mentality. Essentially, feelings of "frustrated ambition"[73] compound as the less talented individual is unable to attain the status he desires. Mises states, "They loathe capitalism because it has assigned to this other man the position they themselves would like

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[71] Von Mises, *Liberalism,* 13.
[72] Ludwig Von Mises, *The Anti-Capitalist Mentality* (D. Van Nostrand Company, Inc, 1956) 11-15.
[73] Von Mises, *The Anti-Capitalist Mentality,* 15-18.

to have."[74] This envy effect initiates the irrational behavior of sacrificing welfare for a feeling of social equality. The recognition of his failures and the bitterness associated with the other's success inhibits rational thought. In most instances, the "failure" of a position in the capitalist system yields greater benefits than any socialist system. However, because of the envy effect, the anti-liberalist is willing to sacrifice higher benefits for a sense of equality.[75] Essentially, the utility of spite dominates the marginal utility yielded by the capitalist system.

Ludwig Von Mises believes that willingness to sacrifice concrete material gains is due to a phycological disability he terms "The Fourier Complex." The man stricken with this condition resents capitalism because of his own inadequacies, and subsequently embraces socialism without a critical analysis of its propositions. The Fourierist overlooks the gains lost during the transition of system, as well as any other potential future issues. Mises contends that the Fourierist is either motivated out of spite or lacks the necessary foresight to understand the consequences of his actions. Either way, the socialist embraces this ideology out of envy of his counterpart. Socialist doctrine neglects valid concerns, such as motivation of labor and the efficiency of centralized authority. Mises cites the practical absurdity of the socialist doctrine, indicating that the position of work transitioning from "a burden to a pleasure,"[76] is nothing more than an inane fantasy. The Fourier complex exemplifies Ludwig Von Mises fundamental issue with anti-liberal ideals. That is, Mises contends that anti-liberal ideology is solely rooted in irrational thought.

Much of Ludwig Von Mises' conjecture is grounded in anecdotal evidence. His writings lack a level of robust evidence supporting his valid claims. Luckily, advances in economic research and theory have produced the necessary data to support Mises' hypotheses. As it stands, Mises' claims lack definitive proof indicating anti-liberalists forgo material gain for spite of a counterpart. In order to strengthen this claim,

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[74] Ibid, 16
[75] Ibid, 15-18
[76] Von Mises, *Liberalism,* 70-75.

consider the economic field of game theory. Game theory investigates human behavior in economic settings under a variety of parameters. Essentially, the goal of this paper is to reduce the complexities of supporting anti-liberal policy to a level consistent with rudimentary economic games. Once a clear link is established, economists can apply economic theory and experimental evidence for rudimentary economic games to far more complex issues, such as support for anti-liberal policies. This connection in behavior across platforms potentially provides insight on the true intentions of anti-liberalists.

Consider the rudimentary economic game, the Ultimatum Game. The game itself is incredibly simple. There exist two players, one of which proposes a division of the stipulated endowment, and the other simply accepts or rejects the offer. If the offer is accepted, each party receives the agreed upon division. If rejected, each player receives nothing. The Nash equilibrium, or best response analysis, indicates that the proposer should attempt to keep one less than the entire endowment, and the responder should invariably accept. This equilibrium is derived via backwards induction. The responder knows that any positive offer is greater than the zero value he receives due to a rejected offer. Thus, the rational responder accepts any positive offer. Understanding this, the proposer maximizes his earnings by offering the smallest division required to incentives the responder to participate. Notice, this equilibrium is conditional on the assumption of rationality.

The Ultimatum game closely mimics the behavior in a liberal, anti-liberal setting. Under the capitalistic system, the entrepreneur enjoys a wealth advantage over the typical worker, just as the proposer has an advantage over the responder. The worker supporting capitalism is synonymous with the responder accepting the offer in the Ultimatum game. In this scenario, rationality prevails, and the worker accepts the low offer knowing that it is relatively higher than the alternative. If the worker rejects capitalism, this is synonymous with the responder rejecting the offer. In this scenario, both responder and anti-liberal irrationally forgo higher payoffs because of envy. Note, more evidence explaining why this envy effect is

present follows. Essentially, in either situation, an individual can maximize payouts or deviate from perfectly rational behavior. As the decision and payoffs approximate one another, behavior is likely correlated. Now that a clear link is established between the economic model and situation of interest, the behavioral insights gained from the Ultimatum game analysis extend to the capitalist socialist debate.

This analysis is relevant, because just as Mises contends that the anti-liberalist acts irrationally, the responder too deviates from the strictly rational theoretical equilibrium. In practice, average accepted offers approach 0.4 of the division, with a modal offer of 0.5. This statistically significant deviation occurs for two reasons. (1) The proposer offers a large portion because of altruistic tendencies and (2) the proposer offers a larger portion because of fear of rejection. Traditionally, the fear of rejection dominates altruistic behavior. This fear of rejection is often well placed, as according to Roth et. al., one third of all offers under 0.2 of the division are rejected.[77] This frequency of rejection unnaturally inflates the average offer, as the proposer acts rationally, recognizing that less of a positive value is preferable to zero (associated with a rejection). Essentially, the responder's irrational tendencies act as a threat, forcing the proposer to offer a large portion of the stipulation. Many factors affect the rejection rate of responders. These factors range from social proximity to group norms. However, the most fundamental variables for rejection rate are feelings of fairness and spite.

Though there is an intimate connection, fairness and spite are two different underlying factors. For our purposes, spite is any action that inflicts harm on both parties, with no intended benefit downstream.[78] Alternatively, action beholden to fairness causes initial harm to both parties, with the intention of subsequent equal benefit. To delineate between these effects, consider both the evolution of "infinitely" repeated Ultimatum games, as well as a single shot Ultimatum game. The simplest analysis is the single shot Ultimatum game. In this scenario, both parties understand that only one round is played. As such, there

[77] Alvin E. Roth, *Bargaining and Market Behavior: An Experimental Study* (American Economic Association, 1991), 1068-1095.
[78] Patrick Forber, and Rory Smead, *The Evolution of Fairness through Spite* (Proceedings of the Royal Society, 2014).

is no possibility of evolving to a cooperative outcome. Therefore, any deviation from the Nash equilibrium rejection rate (which should be 0) is entirely attributable to feelings of spite. That is, the responder is consciously inflicting harm on both parties with no intended future benefit. This behavior naturally extends to Mises' claim of the spiteful behavior of the anti-liberalist. Both parties, that is the anti-liberalist and the responder, intentionally harm their counterpart because of the capitalist/proposers elevated status. Mises so eloquently states, "Time and again one hears socialists say that even material want will be easier to bear in a socialist society because people will realize that no one is better off than his neighbor."[79] Just as the socialist desires wealth equality under worse conditions, the responder desires wealth equality, resulting in a comparably worse payoff. Economic research has determined that even in single shot Ultimatum games, responders deviate from the Nash equilibrium. In fact, the statistics discovered by Roth et. al. were produced from a single shot Ultimatum game. That is, over one third of responders rejected an offer of 0.2 of the division purely out of spite. This behavior extends naturally to the anti-liberalist thought process, providing experimental evidence supporting Ludwig Von Mises' claim.

Consider an "infinitely" repeated Ultimatum game. Under such conditions, sustained continuity can lead to subgame imperfect equilibrium (i.e., stable equilibrium other than the Nash equilibrium). Forber and Smead (2014) contend that regardless of intentions of spite or of fairness, in infinitely repeat Ultimatum games, a subgame imperfect equilibrium of 50-50 split occurs.[80] This result provides another layer in understanding the motivations of an anti-liberalist. Assuming the valid connection between the Ultimatum game and the behavior of a socialist, the following conjecture broadens and bolster Mises' claims. The previous model (single shot Ultimatum game) estimated behavior under a discrete decision, such as regime change. The model assumes deviants' complete understanding of payoffs and only one decision is possible. The evolutionary model allows for asymmetric information as well as continuous decisions. Both factors

[79] Von Mises, *Liberalism,* 13-14.
[80] Forber and Smead, *The Evolution of Fairness through Spite.*

deepen our understanding of potential behavior. It is possible a socialist supporter does not fully understand the magnitude of reduced payoffs under the socialist system (asymmetric information). That is, the anti-liberal may believe that the socialist system will offer a 50-50 split and increase to his current payoffs. Moreover, this model allows for changing beliefs, as the decision phase is effectively continuous. This is analogous with an anti-liberalist continued support of socialism. At any point, the individual is free to change her opinion.

The evolutionary model has two possibilities, (1) the responder is motivated by fairness, (2) the responder is motivated by spite. As previously mentioned, there is evidence indicating that either motivation leads to the same ending outcome, an even split of the endowment. For the purposes of the analogy, consider this even split of the endowment a wealth redistribution program under a socialist regime. That is, regardless of motivation, the anti-liberalist eventually evolves the economic regime to socialism. Both sects of anti-liberalist are motivated by envy, just as Mises claims. For conciseness, consider the parameters of the Ultimatum game. The responder motivated by fairness repeatedly rejects the offer attempting to correct behavior. That is, the responder's goal is an even distribution of the endowment. Rephrased, the responder desires a greater portion of the proposer's endowment, therefore he rejects the endowment to correct behavior. Though this desire may not be malicious, as is the case with the spiteful responder, the "fair" responder is still motivated by envy. The "fair" anti-liberalist is not motivated by malicious intent, as he does not fully understand the consequences of his actions. He favors the socialist system as he fully believes that it will increase his net earnings in the long run or believes in equality above all. This analysis is not directly stated by Mises, but it is not contrary to his claim, as the spiteful anti-liberalist still exists (evidence by evolutionary Ultimatum game and single shot Ultimatum game). Moreover, in Von Mises' explanation of the "Fourier Complex," he indicates that some anti-liberalists simply lack the necessary foresight to understand the irrationality of their decision. The fairness outcome in the Ultimatum game is not quite an

isomorphic transformation to socialist behavior. Notice that the responder of the Ultimatum game can obtain higher material wealth with the fairness evolutionary strategy. As such, the analogy does not extend perfectly. However, note that the socialist may truly believe he will experience an increase in material wealth. Therefore, the analogy approximates the behavioral relationship. Note in "infinitely" repeated Ultimatum games it is still possible that a responder rejects offers purely out of spite. If after several iterations, no evolution to an even split begins, the responder may resort to feelings of spite rather than fairness. In this scenario, spite is born out of "frustrated ambition."[81] Essentially, two sects of the anti-liberalist exist: (1) the one motivated by spite, and (2) the one motivated by naïve fantasies of fairness. Regardless, they are motivated by envy. These developments in economic research provide evidence indicating people forgo material gain because of spite or feelings of fairness. As such, these studies bolster Mises' hypothesis of malicious envy being the root of anti-liberal ideals. Moreover, the model allows for deviation from malicious intent, while remaining in the scope of Mises' envy hypothesis. Simply put, the Ultimatum game analogy supports Mises' claim.

The prisoner's dilemma, another economic game, provides further insight on the behavior of spiteful individuals. The prisoner's dilemma is characterized as a cooperative game. If each player cooperates, a relatively high outcome (A) is achieved. If each player defects, a relatively low outcome (B) is achieved. If one player cooperates while the other defects, the defector enjoys the highest possible outcome (C), while the counterpart receives the lowest possible outcome (D). Note, the payoff to either player can be asymmetric (A_0 does not have to equal A_1). Table 1 provides a sample prisoner's dilemma payoff matrix.

Table 1: Sample Prisoners' Dilemma Payoff Matrix

[81] Von Mises, *The Anti-Capitalist Mentality,* 15-18.

	Cooperate	Defect
Cooperate	A_0 , A_1	D_0 , C_1
Defect	C_0 , D_1	B_0 , B_1

For the purposes of analysis, assume the row player is the entrepreneur and the column player is the worker who favors socialism. As such, $A_0 > A_1$. It is important to note that the game does not encompass the exact conditions and parameters of the behavior expected during the capitalist socialist debate. Traditional prisoner's dilemma games require that each player can achieve a maximum payoff by defecting while the counterpart cooperates. This is not the case in the capitalist socialist debate. If both players cooperate, that is analogous with a predominantly capitalist market with some social safety nets (i.e. welfare, minimum wage, etc). If the row player defects and column player cooperates (C_0 , D_1), this is as if the capitalist and socialist fully embrace capitalism. Under this outcome, the talented capitalist enjoys a high outcome, and the assumed untalented socialist enjoys a relatively low outcome. If the column player defects at all, this signifies the anti-liberalists unwillingness to accept capitalism. Depending on the proportion of anti-liberalists in the market, defecting results in a socialist outcome, thereby yielding the lowest possible outcome for both parties. For simplicity, assume that any defection on the part of the anti-liberalist (column player) results in a socialist regime change. Table 2 provides a payoff table.

Table 2: Prisoners' Dilemma Applied to Socialist Capitalist Debate

	Cooperate	Defect
Cooperate	Hybrid	Socialism
Defect	Pure Capitalism	Socialism

Note that outcome (B_0 , B_1) is dependent on the majority party of society. As previously touched on, this is analogy is not an exact prisoner's dilemma. The anti-liberalist can never achieve a higher outcome by defecting. Thus, he will always cooperate, and the capitalist will always defect, as it provides him with the highest payoff. This results in a single perfect strategy equilibrium of liberalist always defecting and anti-liberalist always cooperating (Pure Capitalism). However, this analysis is conditional on the assumption of rationality. As Mises' hypothesis hinges on the anti-liberalist being irrational, the assumption of rationality does not apply. Though defecting is completely irrational and yields a lower payoff, the anti-liberalist acts as though there is a potentially greater gain from socialism. Potentially the socialist could experience pseudo-gains from satisfaction achieved from ideals of spite or fairness. It is important to consider the prisoners' dilemma game even in the absence of rationality because of the similarities in employed strategies. Though not identical, the prisoner's dilemma game provides helpful insight on behavior.

In "infinitely" repeated prisoner's dilemma there are a variety of strategies. A strategy of particular relevance is the Grim Trigger. Under this strategy, if the opposing player defects in the previous round, the player of interest will defect indefinitely. This player will continue to defect even if the opposing player explicitly attempts to cooperate. For the purpose of analysis, assume the initial defector does not indefinitely cooperate after the initial defection. This is a reasonable assumption because B>D. Thus, if the defector knows that Grim Trigger has been employed, he will maximize his payout by also defecting. Therefore, a stable (B_0 , B_1) equilibrium forms. As stated, A>B. As such, under this economic model it is irrational to maintain this strategy. If either player had reason to suspect an end to interaction, there are conditions that rationalize the Grim Trigger strategy.[82] However, under the assumptions of this model, the only possible explanation for such behavior (on part of the trigger puller) is motivation by spite. The anti-liberalist may initially intend to maximize individual payoffs. However, as the discrepancy in payoffs between the talented

[82] Ludwig B. Chincarini, *Experimental Evidence of Trigger Strategies in Repeated Games* (2003).

and untalented is vast, feeling of "frustrated ambition" develop. This frustration evolves to envy, leading the anti-liberalist to employ the Grim Trigger strategy. Though the parameters have changed, this economic game exhibits behavioral characteristics similar to the behavior of the anti-liberalist proposed by Mises. Just as the player who pulls the Grim Trigger, the anti-liberalist forgoes relatively higher payoffs out of spite.

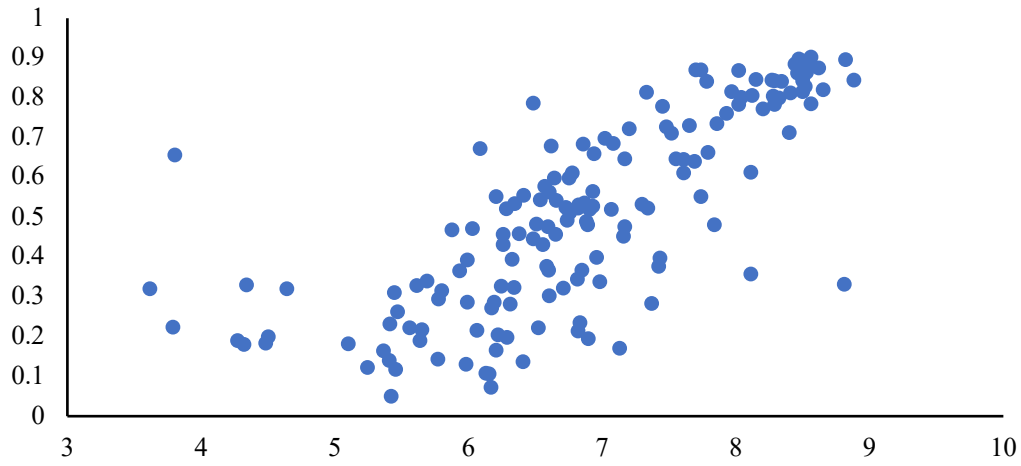
The Grim Trigger is not the dominant strategy in prisoner's dilemma. However, there are conditions in which the strategy exists. Most of these instances of Grim Trigger occur under conditions that are favorable to the strategy. That is, given a certain probability, *p*, of the game terminating, and a large enough discrepancy in payoffs, there are conditions in which the Grim Trigger strategy is rational. In this scenario, the trigger puller is acting in accordance with reason, thereby being incompatible with Mises hypothesis. However, there are occurrences in which a player employs the Grim Trigger strategy in unfavorable settings. Chincarini (2003) finds that roughly 5 percent of test subjects adopt a strategy similar to the Grim Trigger, even under unfavorable conditions.[83] Note, this value is not of particularly large magnitude. The relatively small participation in this strategy is expected, as traditional economic theory assumes rationality, and this behavior is contrary. Moreover, in the context of the anti-liberal, liberal debate, a large proportion of spiteful individuals would signify a potential regime change. As it stands, the majority of the western world supports capitalism, thereby not employing spiteful strategies. Later in the paper, there is an exploration of how this minority behavior could quickly lead to a regime change. As discussed, there is a connection between the Grim Trigger strategy and the capitalist, socialist debate. Moreover, there is statistical evidence supporting the existence of spiteful use of the Grim Trigger strategy.

Contemporary relevance

[83] Ludwig B. Chincarini, *Experimental Evidence of Trigger Strategies in Repeated Games.*

The most important factor for maintaining a free and just society is the implementation of liberal policies. That is, there is a strong correlation between free and just societies and liberal democratic societies. The Cato Institute's "Human Freedom Index" (HFI) provides data on the level of personal, economic, and overall freedom in each country. The overall freedom, labeled "Human Freedom," is simply the average of personal and economic freedom. The HFI accounts for several variables including rule of law, property rights, expression rights, economic stability, and implemented economic regulations. The HFI provides a comprehensive investigation of free and just societies and boils it down to a handful of statistics.[84] As such, the HFI acts as an excellent benchmark for the level of freedom in a given society. "Our World in Data" provides a comprehensive investigation on the level of liberalism and democracy in each country.[85] Unsurprisingly, when compared, the HFI and Liberal Democracy index have a strong positive correlation of 0.76. Figure 1 illustrates this relationship.

Figure 1: Correlation of HFI and Liberal Democracy Index[86],[87]



Though this measure does not necessarily indicate cause and effect, it does clearly establish a strong positive connection between free societies and liberalism. Therefore, it is evident that where there is liberalism, there is

[84] Ian Vasquez and Tanja Porcnik, *The Human Freedom Index 2019 (Massachusetts: CATO Institute, 2019), 7-8.*
[85] Our World in Data, *Liberal Democracy Index.*
[86] Vasquez and McMahon, *Human Freedom Index,* 8-12.
[87] Our World in Data, *Liberal Democracy Index.*

generally a free society. This data, Mises' interpretations, and the economic theory supporting Mises' hypothesis further solidifies the necessity of liberalism; Thus, rejecting socialist ideals.

Understanding that liberalism is necessary for sustaining a free and just society, it is paramount one understands the intellectual origins of the counterpart's philosophy. A complete understanding of the anti-liberalist enables the liberalist to create policies bolstering the foundation of a free and just society. This is more relevant than ever, as socialist movements develop momentum, threatening future freedoms. The United States has not been immune to this influx in anti-liberal thought. Recently, left wing socialist ideology has gained traction among a sizeable sect of the American population. An entire sub-sect of economic thought is dedicated to investigating the economic repercussions of narratives. This division of economics is aptly termed narrative economics. Research in this field shows that narratives gain popularity similar to an epidemiology curve. The spread of infectious narratives is a function of the exposure rate and recovery rate.[88] That is, how many people are exposed to the narrative, and how quickly the narrative is forgotten. Depending on these parameters, a narrative can quickly gain feverish support, and endure large stretches of time. With the structure and prevalence of contemporary media outlets, the exposure rate of narratives is unnaturally high, while the recovery rate is uncharacteristically low. As such, economic narratives are more impactful than ever. These conditions enable economic narratives, such as the narratives associated with socialist movements, to gain unprecedented levels of exposure and popularity. Once a narrative explodes in popularity, pressure from the populous will inevitably force radical change. If a socialist narrative attracts high levels of attention (as such movements are starting to do), it is only a matter of time until populous pressure forces anti-liberal legislation.

Mainstream narratives, persuasive politicians and the previously discussed ideology contribute to the spread of ant-liberal philosophy. This increase in anti-liberal thought is accompanied by a relative

[88] Robert Shiller, *Narrative Economics,* Princeton University Press, 2019

decline in American economic freedom. The Heritage Foundation provides a quantitative measure on the level of economic freedom in each country. The index considers key rights and economic opportunities available to citizens of each country. As economic agency is a fundamental determinant of a free and just society, further analysis of the level of economic freedom is required. At its peak (2007), the United States earned a score of 81.2 (out of 100),[89] ranking in the top echelon of the world, and being labeled completely free. Over the past 15 years, the United States economic freedom index has varied wildly, almost exclusively in the negative direction. In 2017, the index reached a minimum of 75.1, a 7.5 percent decrease from its peak. Currently, the index resides at 76.6. Under the classification stipulated by the Heritage foundation, the United States is only considered mostly free. Even more troubling, the United States is but 5 percentage points from being classified as moderately free and falling out of the top quartile. Fundamental economic growth factors such as property rights, labor freedom, and business freedom have all seen approximately an 11 percent decrease on the freedom index. High scores for these three categories are directly in line with liberal ideals. Naturally, anti-liberal policies (i.e., centralized ownership) are directly contrary to these categories. Thus, this decrease in economic freedom is associated with socialistic policy. As socialism is not conducive for a free and just society or economic growth (which contributes to free and just societies), America is at a critical juncture. Understanding the primary thought process of the anti-liberal allows for effective concessions, appeasing both sides, thus maintaining a predominately free and just society.

As previously discussed, the primary motivation for anti-liberal philosophy is envy, whether spiteful or purely material. Knowledge of this thought process allows for the effective implementation of policies that appease the anti-liberalist. Appeasing the anti-liberalist reduces his motivation to usurp the capitalist system. Consider the previous analysis of the Grim Trigger strategy of the prisoner's dilemma game.

[89] Heritage Foundation, *2020 Index of Economic Freedom,* 2020.

Assuming this game is a good approximation of the anti-liberalist's behavior, the spiteful strategy (Grim Trigger) can be completely avoided if the liberalist "cooperates." That is, the grim trigger strategy is only employed when the opposing player defects. If the opposing player, analogous with the liberalist, were to cooperate in some manner, according to theory, the trigger puller would also cooperate. This would result in a slightly reduced outcome for the liberalist and the highest possible outcome for the anti-liberalist. This compromise directly benefits the anti-liberalist in payoffs, and reduces the wealth gap, thus decreasing the likelihood of envious behavior. This decreasing in envious behavior is because there is now a smaller discrepancy in wealth, and therefore less to be envious about. Note, this compromise benefits the liberalist as well. Though the liberalist is sacrificing some material gain, he is decreasing the probability of a regime change, which would be catastrophic. Though the spiteful anti-liberalist may compose a small portion of the population (evidence by Grim Trigger results), he can still have a large impact on the economic system through the perpetration of viral socialist narratives. As such this compromise greatly reduces the probability of a regime change.

Practically, this cooperation can be implemented in a variety of ways. In contemporary society, this compromise is implemented. Social programs such as welfare, minimum wage, and medicare, are all examples of socialist policies in a predominately capitalist market. Understanding the intellectual origins and subsequent consequences of Mises' claim implies that this hybrid system is necessary for the maintenance of a free and just society. Otherwise, built up frustration, envy, and spite potentially lead to a catastrophic regime change. In contemporary society, there is a sizeable push for socialism, indicating the possible need for reconsideration of social programs. It is possible that a different composition of liberal and anti-liberal policies is necessary to appease the ever-changing political balance. It may seem counter-intuitive, but the discrepancy between a hybrid system and pure socialism is likely so vast, that certain concessions may be rational. However, it is a slippery slope. Concessions surrounding property rights,

business rights, and individual freedoms are potentially catastrophic. Essentially, the implementation of **necessary** concessions should be centered on an approximately efficient solution to wealth inequality. Understanding this, policy makers are now equipped to create policies with the appropriate balance of the two systems.

Ludwig Von Mises wrote extensively on the underlying motivations for anti-liberal behavior. He details that the anti-liberal embraces socialistic policies out of jealousy. The anti-liberal would prefer low societal welfare, so long as wealth inequality is minimized. This motivation is born out of spite. Consideration of the economic field of game theory, specifically the Ultimatum and Prisoners' Dilemma games, provides further experimental evidence supporting Mises' claims. A myriad of anecdotal, theoretical, and empirical evidence indicates that liberal policies are most natural for the maximization of societal welfare. As such, understanding the adversary's motivation is critical for maintaining a free, just, and optimal society. That is, sacrifices are necessary for the overall maintenance of liberal society. With this knowledge, free and just societies are sustainable for generations to come.

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