



“THE STATE AND THE RULING CLASS”

Mannkal Economic Education Foundation, July 2011

Dr. David M. Hart

“The Seen and the Unseen” in Obama’s America:
What is “Seen”: The Obama Administration “creating” New Jobs
by Government Expenditure



“The Seen and the Unseen” in Obama’s America:
What is “Unseen”: The Obama Administration “creating” New
Jobs by Government Expenditure



The Seen and the Unseen: The Obama Administration “creating” New Jobs



ATLAS SHRUGGED

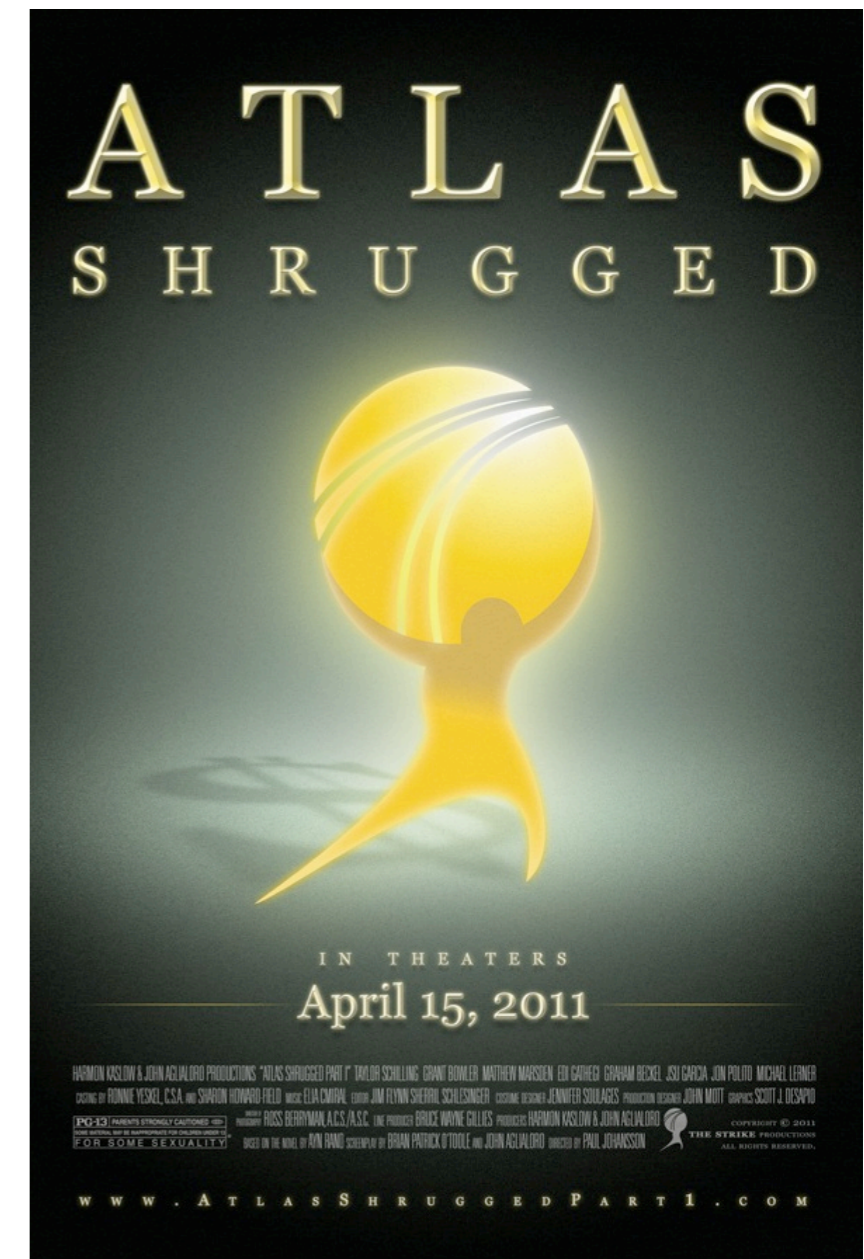


IN THEATERS
April 15, 2011

HARMON KASLOW & JOHN AGLALORO PRODUCTIONS "ATLAS SHRUGGED PART I" TAYLOR SCHILLING GRANT BOWLER MATTHEW MARSDEN EDI GATHECI GRAHAM BECKEL JSU GARCIA JON POLITO MICHAEL LERNER
CASTING BY RONNIE YESKEL, C.S.A. AND SHARON HOWARD FIELD MUSIC ELIA CMIHAL EDITOR JIM FLYNN SHEPHERD SCHLESINGER COSTUME DESIGNER JENNIFER SOULAGES PRODUCTION DESIGNER JOHN MOTT GRAPHICS SCOTT J. DESAPPO
PG-13 PARENTS STRONGLY CAUTIONED
SOME MATERIAL MAY BE INAPPROPRIATE FOR CHILDREN UNDER 13
FOR SOME SEXUALITY
BASED UPON THE NOVEL BY AYN RAND SCREENPLAY BY BRIAN PATRICK O'TOOLE AND JOHN AGLALORO DIRECTED BY PAUL JOHANSSON
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WWW.ATLASHRUGGEDPART1.COM

Is Ayn Rand really a Marxist?



A Theory of Class Exploitation is implied these depictions of Atlas



{Atlas has just seen the new movie about himself}



Some Questions to Consider

The State

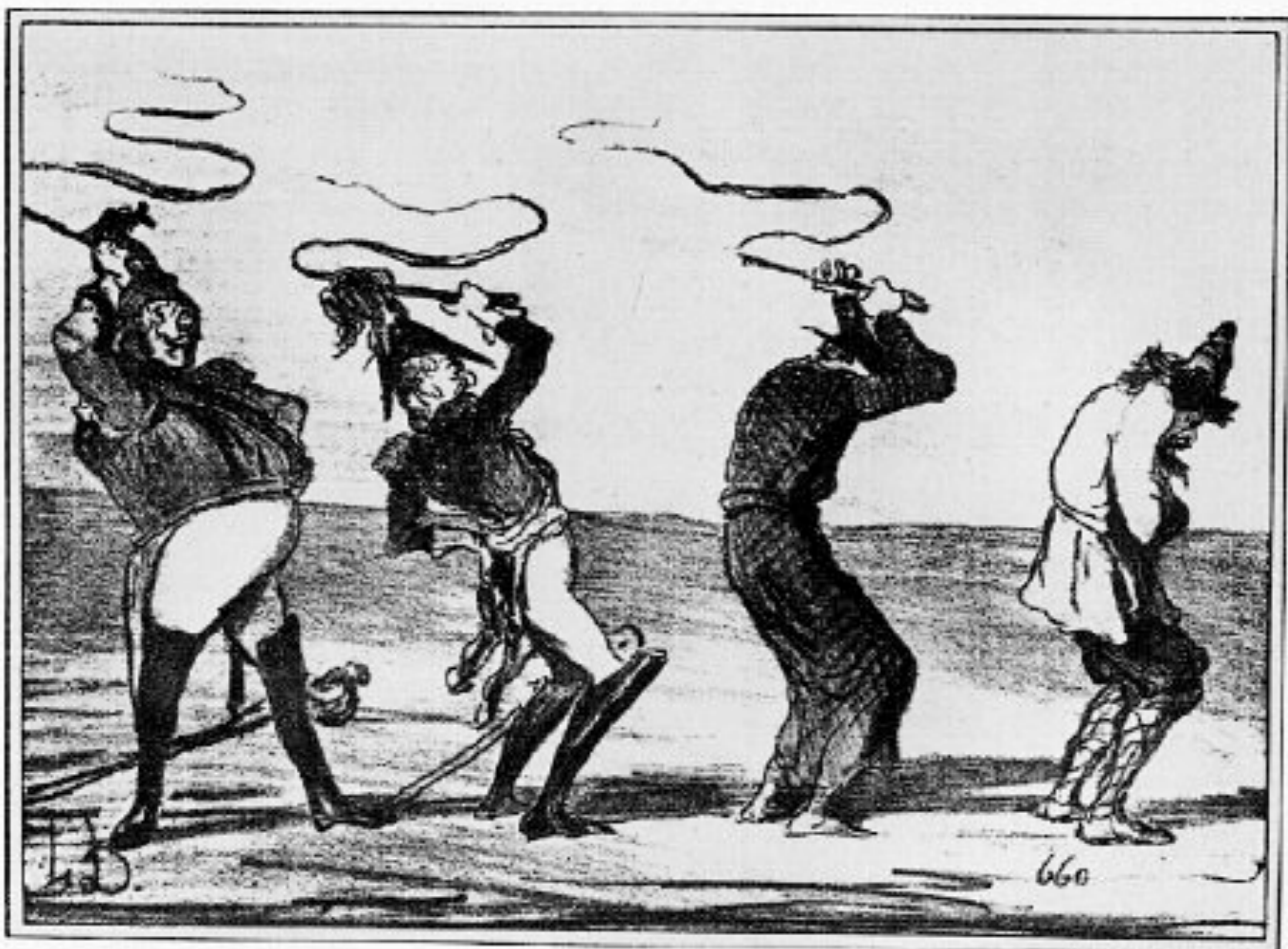
- what is the State & whose interests does it serve?
- why has it grown so much over the past 100 years & where is it heading now?
- is there an optimal size of the State & can it be limited to just these powers?

The Ruling Class

- who benefits from access to State power & how do they behave?
- if the same groups who benefit from State power persist over time, can we call them a “ruling class?”
- if the number of people who benefit from State power come to exceed the number who pay for it, how can we ever return to a free society?



The Army Hierarchy.



The Army hierarchy.

I. INTRODUCTION & DEFINITIONS



I. Introduction & Definitions

II. Some Key Features of the State

i. Force - Legitimacy - Monopoly - Functions

III. Some Key Features of the Ruling Class

i. Access - Control - Benefits - Interests

IV. Conclusion

SPECTRUM OF STATE POWER

STATISM

LIBERTY

Communism

Fascism

Welfare/Warfare State

Minarchist State

Voluntary "State"

COMMUNISM
Fully planned
economy & state
controlled society
- Stalinism, Pol
Pot

FASCISM/NAZISM:
State directed private
industry
Adulation of leader
War & conquest
- Italy, Germany
1930s-40s

WELFARE STATE:
State provision health,
education, welfare
Significant regulation of
economy
- Western Europe

WELFARE/WARFARE STATE:
Significant state intervention
health, education, welfare
Significant regulation of economy
Military-Industrial Complex
War & empire
- USA

MINARCHIST STATE:
defence, police, limited
number of other public
goods

**ULTRA-MINARCHIST
STATE:**
defence, police, with
considerable private
activity in security

**FULLY VOLUNTARY
"STATE":**
- all state activities
deregulated,
privatized, or
abolished

FUNCTIONS OF THE CLASSICAL LIBERAL STATE

A. Smith, JS Mill
F.A. Hayek

L. Mises, A. Rand
R. Nozick

J.B. Say
G. de Molinari 2

H. Spencer
G. de Molinari 1
Murray Rothbard

CLASSICAL LIBERAL
STATE:
defence, police, public
goods (broadly defined)

MINARCHIST STATE:
defence, police, no
other public goods

ULTRA-MINARCHIST OR
"NIGHTWATCHMAN" STATE:
defence, police, with
considerable private activity in
security

FULLY PRIVATISED "STATE"
OR VOLUNTARISM:
private production of security

II. SOME KEY FEATURES OF THE STATE



I. Introduction & Definitions

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II. Some Key Features of the State: Summary

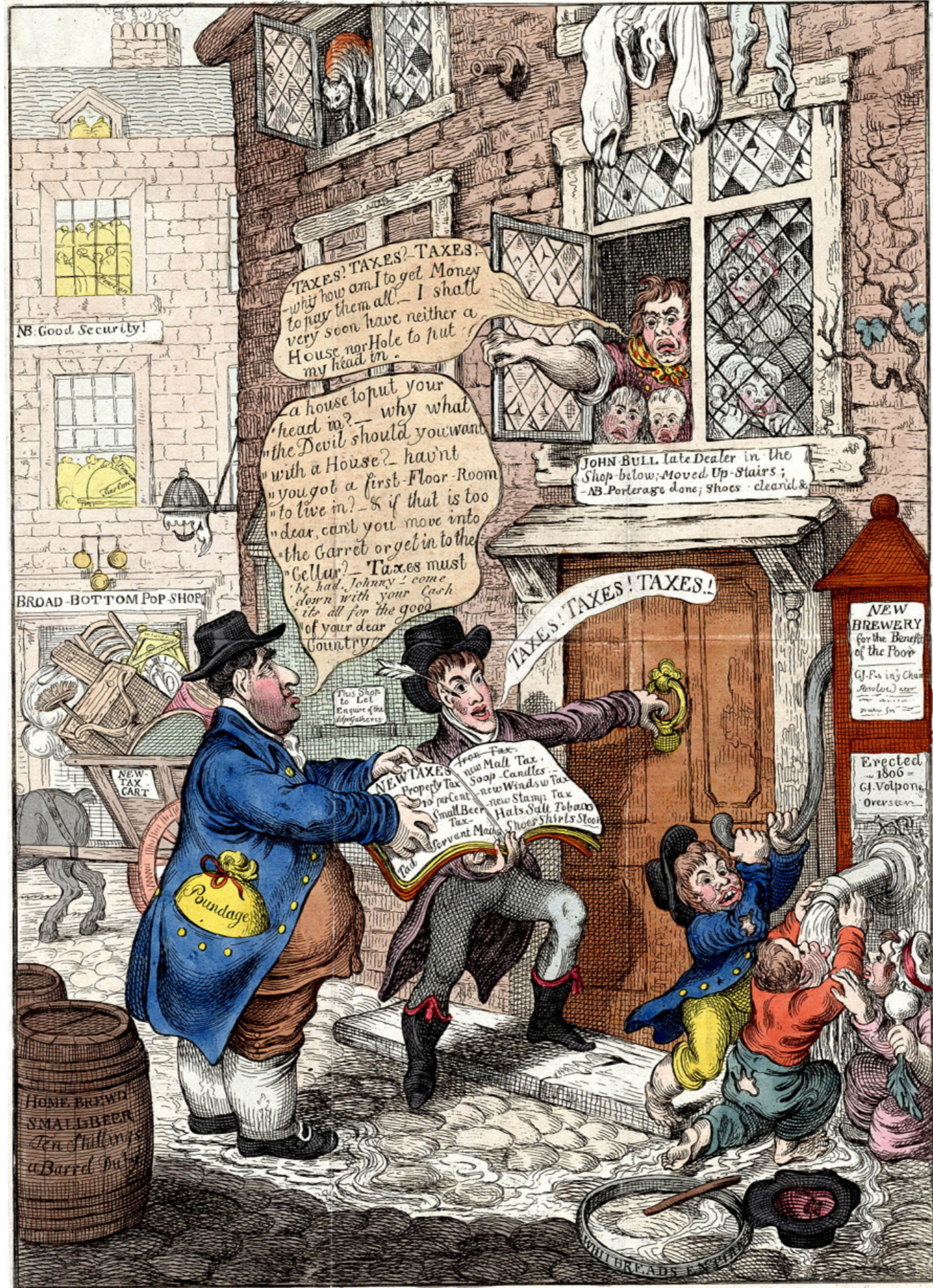
1. the State has a **monopoly of the use of force**
2. the State claims it the sole **legitimacy** to exercise this force
3. the State claims a **monopoly** in key sectors of the economy
4. the State claims that **different standard of morality** applies to its actions
5. the State needs **obedient & compliant taxpayers** & citizens who will “Obey & Pay”
6. the State has an **historical tendency to expand** its powers



II. Some Key Features of the State

- I. **Force:** the State has a monopoly of the use of force in a given geographic area (military power, police power, regulation, confiscation (taxes), conscription):
 - “the organization of the political means” of acquiring wealth (F. Oppenheimer)
 - “legal Plunder” (F. Bastiat)





"the FRIEND of the PEOPLE," & his Petty New-Tax-Gatherer, paying John Bull a visit.

III. SOME KEY FEATURES OF THE RULING CLASS



I. Introduction & Definitions

II. Some Key Features of the State

i. Force - Legitimacy - Monopoly - Functions

III. Some Key Features of the Ruling Class

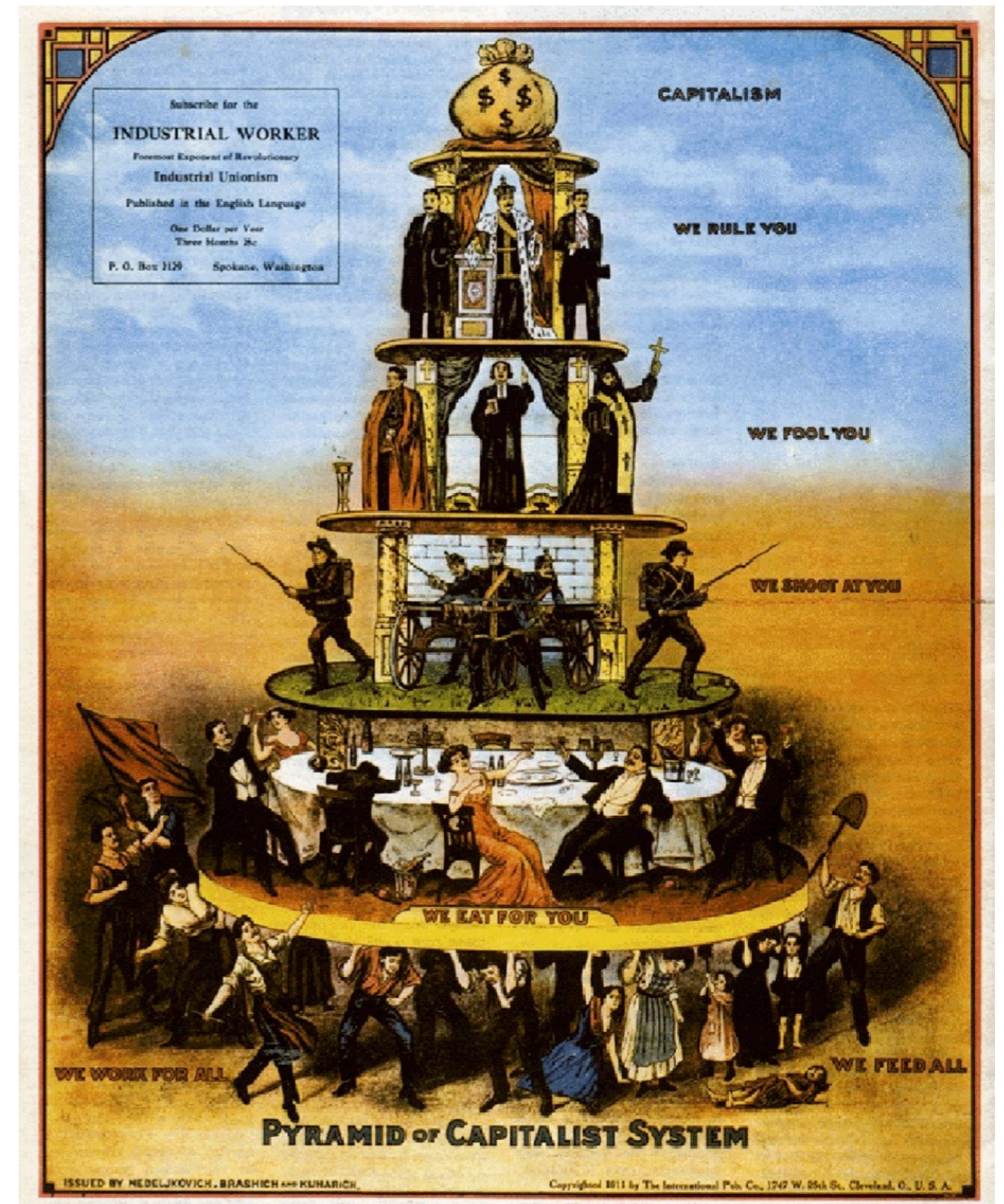
i. Access - Control - Benefits - Interests

IV. Conclusion

III. Some Key Features of the Ruling Class

1. Class analysis is commonly but mistakenly thought to be “Marxist”:

- **Marx** got many of his ideas about class from French classical liberals but misapplied them
- KM thought all economic exchanges involved “exploitation” - **zero sum game** where one party had to lose if the other party gained
- hence **all wage labour exploits the “worker”** for the benefit of the “capitalist”
- thus “liberation” requires the violent overthrow and dispossession of the “capitalist class” in a **revolution** on behalf of the “proletariat” or working classes



{The American International Workers of the World (IWW)
poster from 1911}

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CAPITALISM

WE RULE YOU

WE FOOL YOU

WE SHOOT AT YOU

WE EAT FOR YOU

WE WORK FOR ALL

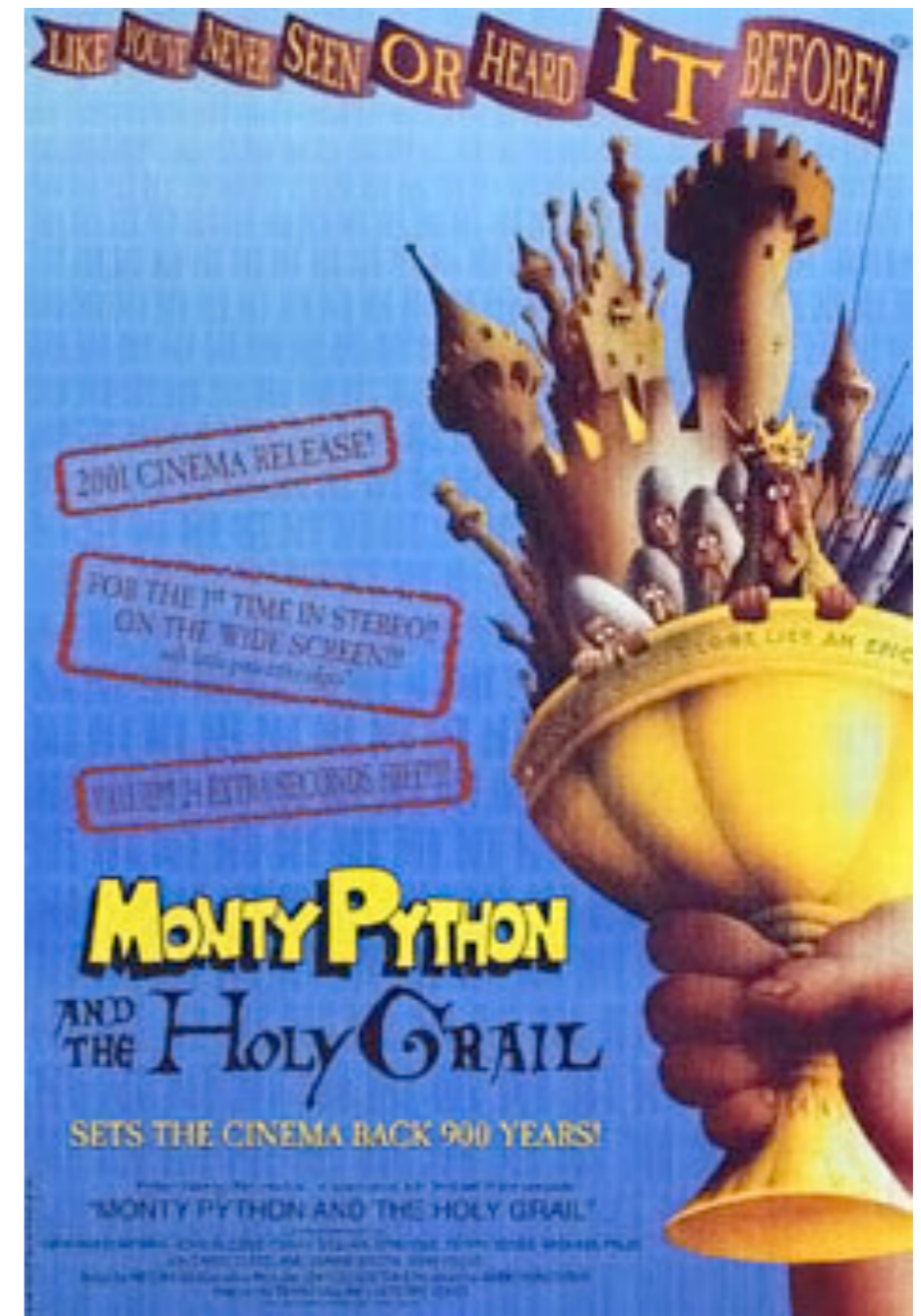
WE FEED ALL

PYRAMID OF CAPITALIST SYSTEM

ISSUED BY NEDELJKOVICH, BRASHICH AND KUCHARICH.

Copyrighted 1911 by The International Pub. Co., 1747 W. 25th St., Cleveland, O., U. S. A.

“The Constitutional Peasants” scene from Terry Gilliam & Terry Jones, *Monty Python and the Holy Grail* (1975) - 3 mins 10



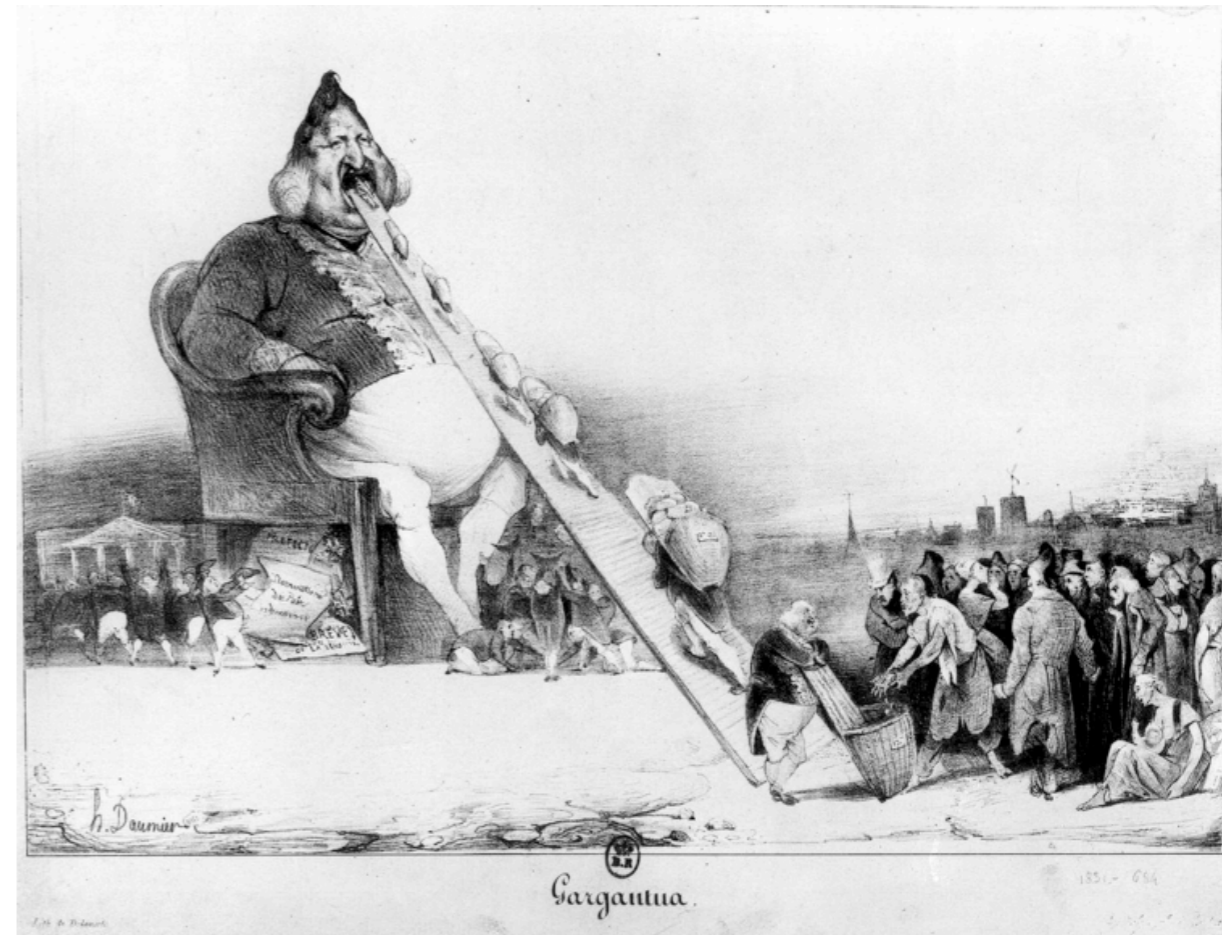


“The Constitutional Peasants” from *Monty Python and the Holy Grail* (1975)

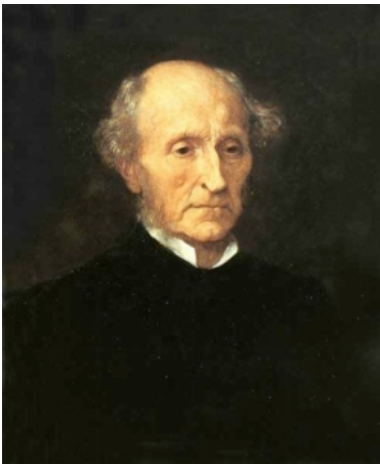
III. Some Key Features of the Ruling Class

2. The Classical Liberal idea of Class Analysis

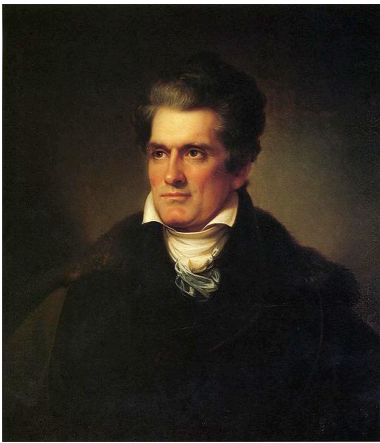
- predates KM - “what is correct in KM’s theory of class is not original, and what is original in KM’s theory of class is not correct”
- difference due to different notions of “**exploitation**”
 - KM - all economic relations involve exploitation
 - CL - voluntary economic relations are not exploitative (mutually beneficial voluntary exchanges); exploitation occurs when force or politics is involved
- strong tradition of **Classical Liberal class analysis** in 18th & 19th C



{Honoré Daumier, “Gargantua” (1831)}
[the sovereign power as a “tax eater”]



J.S. Mill (1806-1873)



John C. Calhoun (1782-1850)



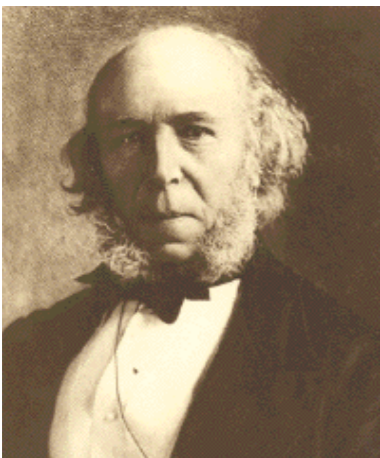
F. Bastiat (1801-1850)

Classical Liberal Notions of Class Analysis (i)

1. **The Philosophic Radicals** (Jeremy Bentham, James Mill, J.S. Mill) - the sinister interests
 - the “sinister interest of the ruling one and the sub-ruling few” - the aristocratic, landed, banking, mercantile interests
 - “those who pillage” vs. “those who are pillaged”
2. **John C. Calhoun (1782-1850)**
 - the “tax-payers” - those who pay more in taxes than they receive in benefits
 - the “tax-consumers” - those who receive more in taxes than they pay in taxes
3. **Frédéric Bastiat (1801-1850)** - “legal plunder” & “parasitism”
 - the “plundering classes” - theological, aristocratic, mercantile, financial, bureaucratic, socialist
 - under democracy there is “reciprocal pillage”



Gustave de Molinari
(1819-1912)



Herbert Spencer
(1820-1903)



Franz Oppenheimer
(1864-1943)

Classical Liberal Notions of Class Analysis (ii)

4. **Gustave de Molinari (1819-1912)**

- “place seeking” in the modern bureaucratic state

5. **Herbert Spencer (1820-1903)** - industrial vs. militant societies

- industrial societies based upon voluntary economic activity
- militant societies based upon coercive political activity

6. **Vilfredo Pareto (1848-1923)** - rule by an “elite”

- history is the continuous replacement or “circulation” of elites

7. **Franz Oppenheimer (1864-1943)** - economic vs. political means of acquiring wealth

- economic means based upon voluntary economic activity
- political means based upon coercive political activity



James Gillray, "The British Atlas, or John Bull supporting the Peace Establishment" (1816)



Honoré Daumier, "Gargantua" (1831)



III. Some Key Features of the Ruling Class

20thC CL Ideas about Class Analysis:



- **Ludwig von Mises (1881-1973)**

- “clash of group interests”
- “a new caste system”

- **Murray N. Rothbard (1926-1995)**

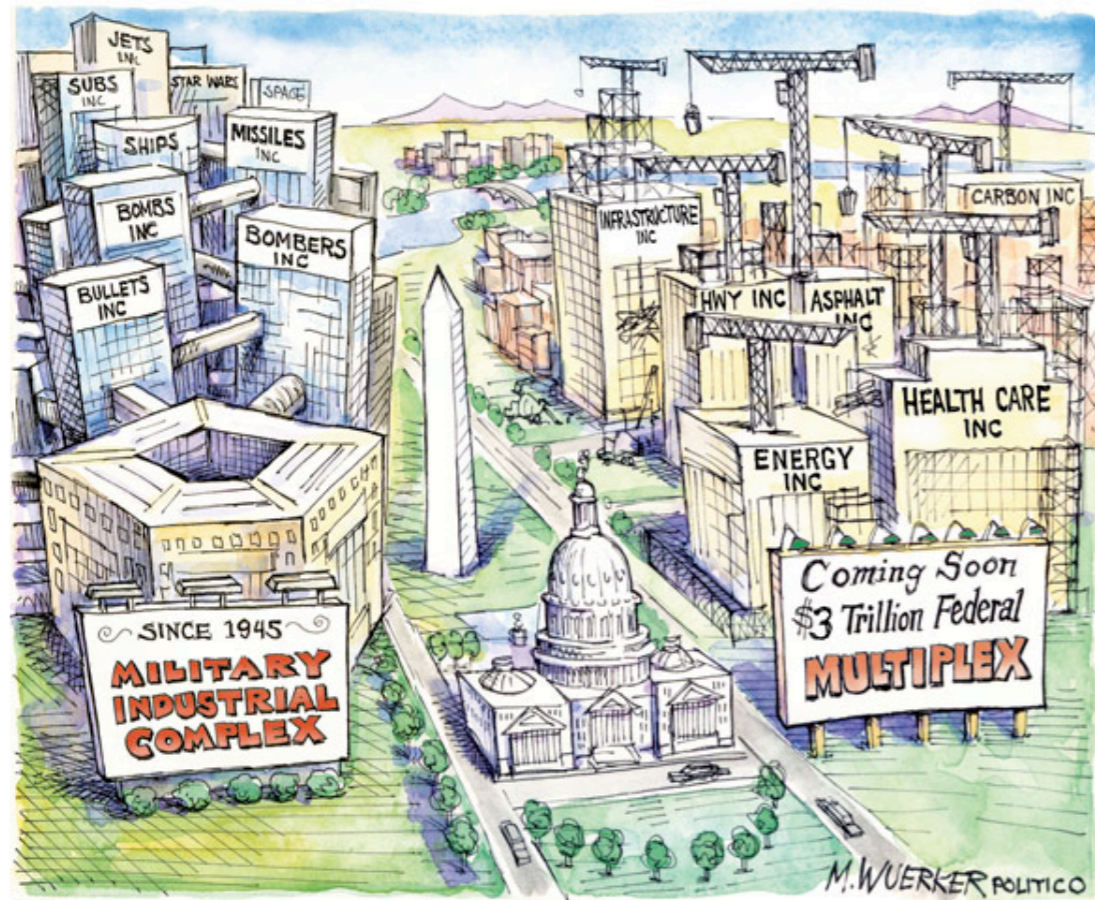
- a full libertarian theory of the State and class which draws heavily upon Austrian economic theory and history



- **James M. Buchanan (1919-) & Gordon Tullock (1922-)**

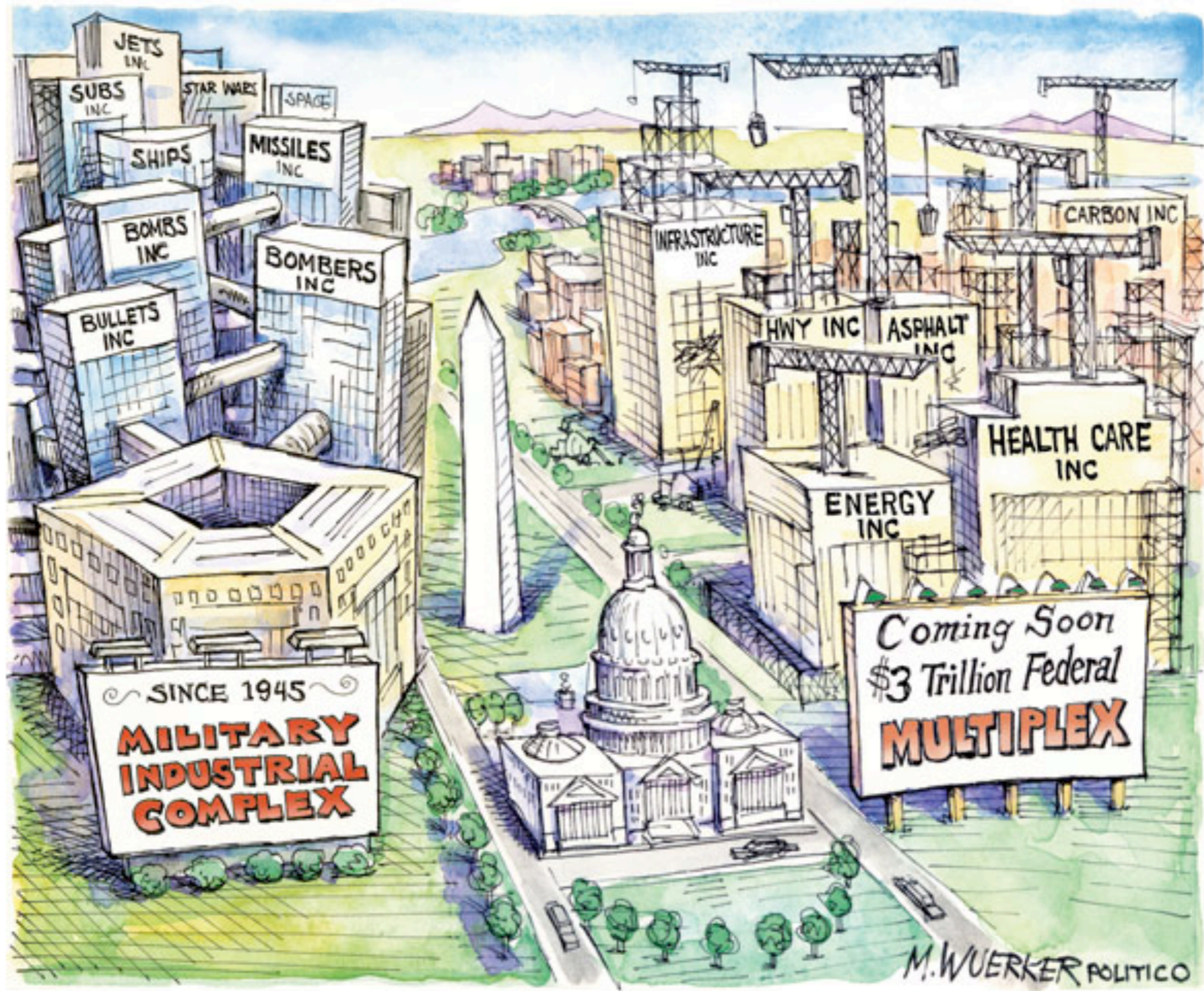
- “**public choice**” theory of the behaviour of politicians and bureaucrats as “benefit maximizers” and “rent-seekers”

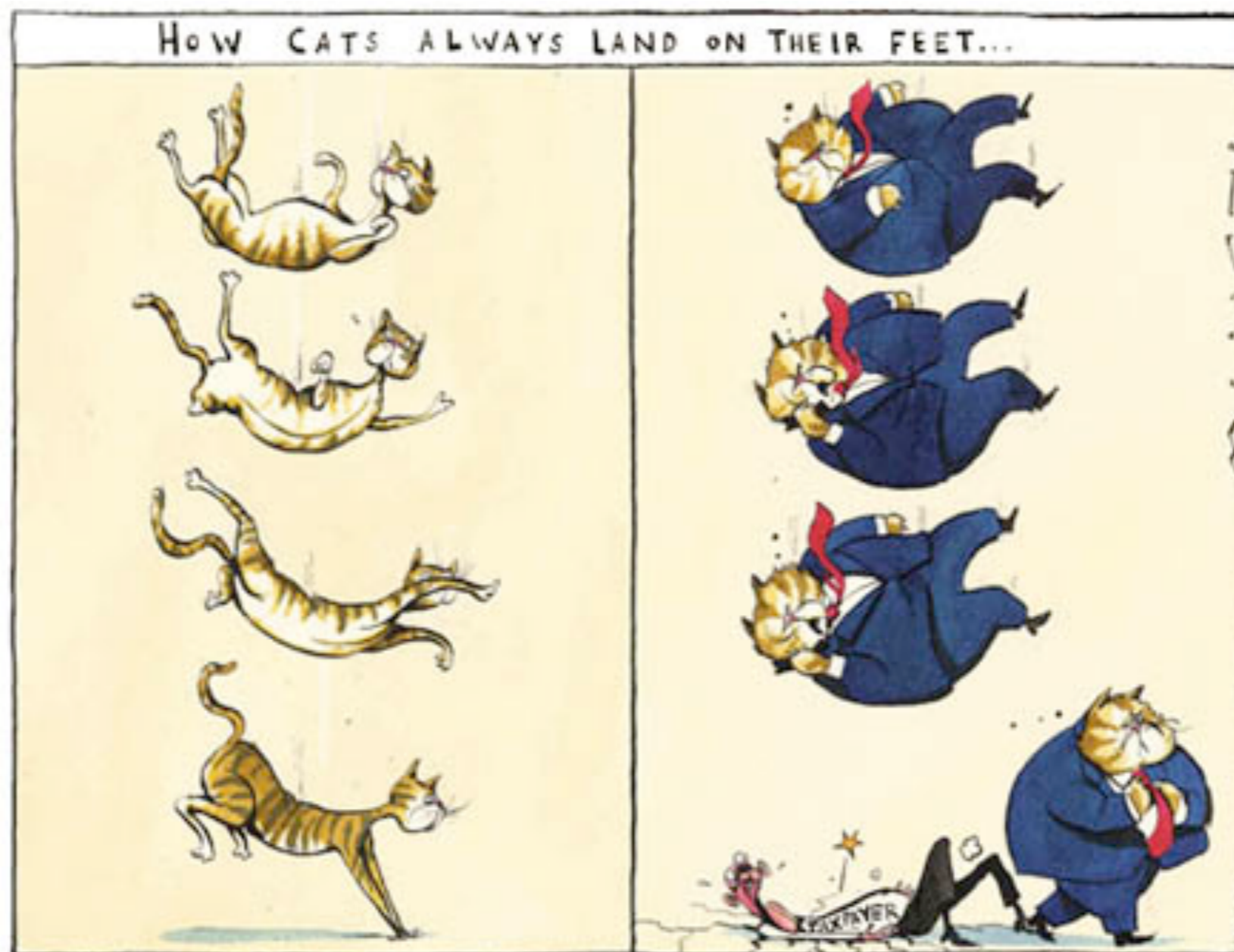
III. Some Key Features of the Ruling Class



Key insights of the “**public choice**” school:

- politicians as “brokers” for **political “rent seekers”**
- “**circulation of elites**” in democracies - “ins” vs. “outs” of major political parties
- **log-rolling** of vested interest groups - welfare, MIC, farmers, Big Pharma, banking
- “**revolving door**” of jobs for politicians, lobbyists
- service the needs of the “**dependent class**” of the aged, sick, unemployed





“Fat Cat” Civil Servants



**The Benefits Maximizing of “Public Servants”
Yes, Prime Minister, Episode 5: “A Real Partnership” (1986)**

III. Some Key Features of the Ruling Class: Summary

The State divides Society into **Rival Groups or Classes**:

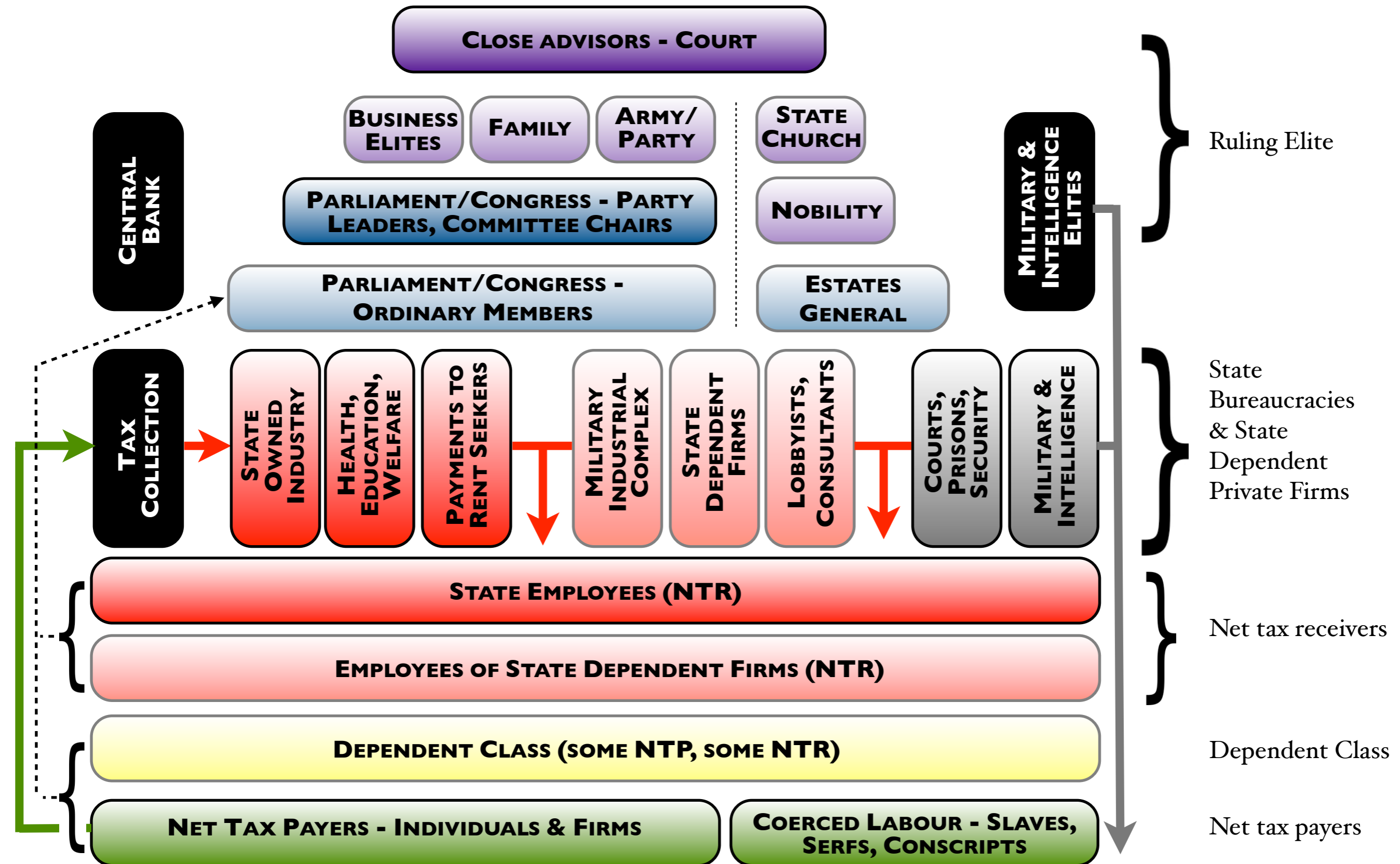
- those who pay taxes, submit to regulation, conscripted into army, forced to work (slaves) - **“the ruled”** or the **“Net Tax Payers”** (NTP)
- those who receive the taxes and benefit from regulation & coerced labour - **“the rulers”** (ruling class) or the **“Net Tax Receivers”** (NTR)
- those in the **“grey zone”** who pay some taxes and receive some benefits
- those who are members of the **“dependent class”** who receive benefits from the state & vote to maintain this





The Institutions & Class Structure of the State

[Dr. David M. Hart, May 2011]



Key to Schematic of State Power & Class Structure



CLOSE ADVISORS

**ARMY/PARTY/
BUSINESS/NOBLES**

**CONGRESSIONAL
LEADERS**

ORDINARY MPs

**TAX
COLLECTION**

**STATE
SECURITY**

**STATE INSTITUTIONS &
EMPLOYEES**

**STATE DEPENDENT
FIRMS & EMPLOYEES**

DEPENDENT CLASS

NET TAX PAYERS

The Sovereign Power (King, President, Emperor).

The Ruling Elite (imperial purple and dark royal blue, bracketed by red bar) - the ultimate decision makers of policy, drawn from the ruling family, tribe, army, nobility, church, political party, senior leaders of congress or parliament, and legal, banking, industrial, security elites.

Representatives of the People elected to Congress or Parliament (pale blue) - the real power wielders in Parliament are the senior party leaders and the chairmen of the more important congressional committees. Most MPs are concerned with getting re-elected and serving the vested interests in their state or district.

Command Centres of the State and Economy (black) - institutions essential to the overall operation of the State (tax collection, control of money, violence) - Central Bank, security forces (army and police).

Force Wielding Institutions (steel grey) - institutions which have a monopoly of the use of force or violence - security, police, prisons, military. Grey arrows show direction of the use of force (downwards).

State Bureaucracies, Institutions, & their Employees (blood red) - net tax receivers (NTR) who usually have a state protected monopoly of an activity which may or may not exist in a free market.

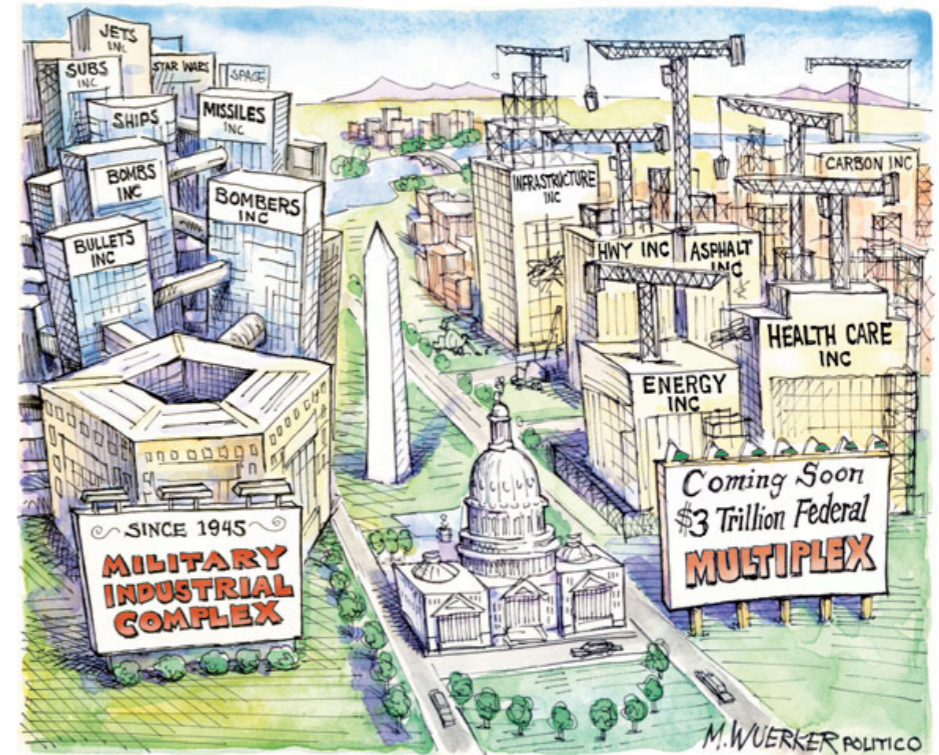
State Dependent Firms & their Employees (pink) - nominally private firms which receive the bulk (perhaps all) of their income from the tax payers via state contracts. Net Tax Receivers.

The Dependent Class (yellow) - people who receive benefits from the state such as health, retirement, or other welfare. Some were NTP when working but are now NTR. Others have always been NTR.

Net Tax Payers (green) - consists of individuals and firms who pay more in taxes than they receive in state benefits. Historically, there have also been groups who have been forced to labour for little or no remuneration (slaves, serfs, conscripts). Green arrows show flow of tax money upwards. Red arrows show state payments flowing downwards.

III. Some Key Features of the Ruling Class: Summary

1. class analysis is **commonly but mistakenly thought to be “Marxist”**
2. there is a **strong tradition of Classical Liberal class analysis** in the 18th & 19th C
3. in late **20thC “public choice” theory** developed a theory of the behaviour of politicians and bureaucrats as “benefit maximizers” and “**rent-seekers**”
4. the State divides society into **two rivalrous groups**, “the rulers” (the **net tax receivers**) and “the ruled” (**net tax payers**) which have different interests
5. there is a growing “**dependent class**” who receive benefits from the state & who vote to maintain this



[Obama meeting Goldman Sachs executives]

II. Some Key Features of the State

I. **Force:** the State has a monopoly of the use of force in a given geographic area (military power, police power, regulation, confiscation (taxes), conscription):

- “the organization of the political means” of acquiring wealth (F. Oppenheimer)
- “legal Plunder” (F. Bastiat)
- a “banditti of ruffians” (Thomas Paine)
- a “stationary bandit” (M. Olson)
- “an organized protection racket” (Ch. Tilly)
- many states have their origin in war or conquest - “war is the health of the State” (R. Bourne)

