

**"TO BE THEMSELVES
TOLERABLY WELL FED,
CLOATHED AND LODGED":**



**LIBERALISM,
THE HUMANIZATION
OF LABOR, AND
ADAM SMITH'S
PROTEST AGAINST
THE INJUSTICE OF
WORKING CLASS
POVERTY AND MISERY**

JULES STEINBERG

*The significance of the humanization of labor on Adam Smith's liberal conception of political economy. An explanation of why there is no such thing as "laissez-faire liberalism" because Adam Smith does not propose a laissez-faire policy in *The Wealth of Nations*. The rationale for the rhetoric of laissez-faire is the fear of liberal egalitarianism..*

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by Jules Steinberg

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INTRODUCTION

Do not confuse liberalism with laissez-faire. There is no such thing as “laissez-faire liberalism.” There is, of course, a rhetoric of laissez-faire, rhetoric in which the vision of an economy that operates in the absence of coercive government regulation is presented as an empirical possibility, something that can be created in an existing civil society because such a laissez-faire conception has existed in the past and thus can serve as a guide to the present and the future. But there is no such thing as a laissez-faire economy like there is the Empire State Building. What, then, place when someone invokes the rhetoric of laissez-faire as an empirical human possibility? The aim of this rhetoric is to persuade people that something is true that is, in fact, untrue. More specifically, invoking the rhetoric of laissez-faire is a *subterfuge*, similar to a hoax, deception, etc. In this study, a subterfuge is ***“a fraudulent form of speech intended to deceive by presenting as true what is actually and knowingly false.”*** Why there is a subterfuge of laissez-faire is a matter I shall explain in due course, so I ask for patience. My reasoning in denying the existence of a laissez-faire economy is extraordinarily simple. If John Locke is the founder of liberalism, and if laissez-faire is the central core of liberalism, one would expect that Locke would have endorsed the ideology of laissez-faire. But Locke does not endorse laissez-faire policy in any of his writings, which I take to mean that liberalism is not laissez-faire. The same holds true for Adam Smith, customarily regarded as the founder of laissez-faire.

Of course, the conventional wisdom has long identified Smith’s *An Inquiry into the Nature and Causes of the Wealth of Nations* as the sacred text that delivers the gospel of laissez-faire. But this flies in the face of what I regard as the indubitable fact that there is no textual evidence of any kind that conveys Smith’s preference in favor of a laissez-faire approach to increasing the wealth of a nation. Moreover, the same can be said of James Madison. Of Thomas Paine. Of Richard Price. Of Joseph Priestley. Of John Trenchard. Of Thomas Gordon. All of these men made significant contributions to the creation of the liberal tradition of political thought, but none of them embraced a laissez-faire conception of political economy. So how did liberalism come to be so closely identified with laissez-faire, such that prominent scholars have argued that there can be no liberalism in the absence of laissez-faire—no laissez-faire, no liberalism. So why have so

many scholars insisted that in the absence of laissez-faire, there is no liberalism?

But this is not the consensus view of scholars engaged in the study of liberalism, although it seems to me that the identification of liberalism with laissez-faire has no basis in empirical fact. The rhetoric of laissez-faire makes an empirical claim to truth that cannot be translated into human practice because that is not its purpose, which is to pretend it is true for specific ideological reasons even though it is false, not intended for empirical human practice. I make this claim because, having read and studied the original and texts that constitute the liberal tradition of political thought, there is no credible textual evidence that would establish the truth of the nexus between liberalism and laissez-faire. If John Locke is the founder of liberalism, the claim that liberalism equals laissez-faire must be false, since Locke never articulates or defends a laissez-faire conception of political economy. If there is no laissez-faire in Locke's writings, or in the writings of Adam Smith James Madison, Paine, Priestley, Price, Trenchard, Gordon, Montesquieu, Voltaire Rousseau, etc., then there is no laissez-faire in liberalism. Moreover, there is a rather simple explanation for an ideological reliance on laissez-faire reasoning although ironically, the rhetoric of laissez-faire became an ideological weapon in the ideological armament because it serves anti-liberal purposes, because those who invoke the rhetoric of laissez-faire do so because they are afraid of the implementation of liberal political and moral ideals, which have a very heavy dose of egalitarianism that is the antithesis of laissez-faire.

So, what is liberalism all about? As a substantive outline of the elements of the liberal political tradition, we could not do any better than the following statement:

Conservative – and even centrist – opponents of liberalism reject it because they identify it with cumbersome government; reckless spending; high taxation; naiveté about economics, crime, and world power; and lack of moral values. What a mistake! In fact, liberalism has been the source of social and political progress in the Western world since the 17th century. The idea that rights set a limit on the legitimate power of government is a liberal idea. The idea that government must respect the liberty of individuals is a liberal idea. The idea that religious groups should be tolerant of each other is a liberal idea. Modern democracy is an outgrowth of these ideas. Capitalism is a liberal idea. Building a government strong enough to be a countervailing power to wealth to protect workers,

*consumers, and the environment from excesses driven by the profit motive is a liberal idea. The belief that all people in an economically successful nation should have the opportunity to lead a decent life is also a liberal idea. The belief that society should assure the security of children, old people, disabled people, and people out of work for reasons not of their own doing is a liberal idea. Civil rights are a liberal idea. Limiting the intervention of government into our private lives is a liberal idea. The universality of human rights is a liberal idea. Addressing global poverty is a liberal idea.*¹

I find little to quarrel about in this conception of liberalism, save for the statement: "*Capitalism is a liberal idea.*"

This, of course, is a Marxist notion, but as we shall discover, it is also the view of anti-Marxist defenders of free market capitalism: According to Ludwig von Mises: "A society in which liberal principles are put into effect is usually called a capitalist society, and the condition of that society, capitalism."² Is this true? Does liberalism equal capitalism and capitalism equal liberalism? Not in this study, which is devoted to explaining why laissez-faire is the antithesis of liberalism. Adam Smith never used the word "capitalism," but he did articulate a liberal theory of political economy, although one of the contentious issues at stake is what we mean by "a liberal theory of political economy." However, it turns out that Marx's conception of liberalism serves a basis for a right-wing, illiberal conception of liberalism, since proponents of laissez-faire are quite prepared to accept Marx's model of liberalism as the exploitation and oppression of labor, because that is the preferred view of labor and laborers applied by laissez-faire theoreticians. Laissez-faire is the preferred theory of liberalism to those who believe it is an excellent way to characterize how workers should be treated, i.e., they should be poor and miserable. More on this in due course.

I bring Marx into this discussion because it is he who initiated the identification of liberalism with capitalism, as interpreted by Marx. In the historical evolution of liberalism, laissez-faire is attached to liberalism because Marx identified liberalism as the stalking-horse for capitalism, that is, for the poverty and misery of workers. This is precisely what makes capitalism attractive to anti-Marxists, for insofar as capitalism promotes working class poverty and misery, it is no threat to the illiberal ideals of conservatives, those who fear the egalitarian ideals of liberals and liberalism.

Here is a brief but excellent example of how not to think about liberalism and laissez-faire:

Adam Smith gave first voice to the economic theory on which capitalism has relied on ever since—laissez-faire economics. He maintained that the free reign of self-interest would result in a well-ordered economy and in a vast increase of overall wealth . . . Government should not intervene in the working of the economy, virtually absolute liberty should be the byword of the economic system.³

A simple statement that attributes to Adam Smith a laissez-faire sensibility as if it was self-evidently true that Smith proposes an unregulated economy, an economy without government regulations, a laissez-faire economy that prohibits government interference in the operation of the economy, But simple or not, it is false.

Of course, the obvious question is, if I am right, how did the belief spread over many years that laissez-faire is the essence of liberalism? I shall explain how and why this came about, although to do so competently and comprehensively requires a coherent understanding of the historical circumstances that gave rise, first, to liberalism, and then to the grafting on to liberalism the idea of laissez-faire, So my advice is to always refer back to Friedman's specification of the substance of liberalism while I concentrate my attention of explaining why there is no such thing as laissez-faire liberalism.

In any examination of the idea of laissez-faire, it is useful to begin with Adam Smith, the man who is customarily identified as the god-like prophet of laissez-faire:

***"Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men."*⁴**

I find this statement intriguing because it appears to contradict the prevalent belief that the dominant value of liberalism is individual freedom, because it presents "the laws of justice" as a factor that defines and limits the permissible exercise of individual freedom. A few sentences down the page, Smith goes on to explain that the second duty of a government is ***"the duty of protecting as far as possible, every member of the society from the***

injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice."⁵ The laws of justice limit the freedom of individual citizens, so we can acknowledge that no citizen has a right to freely act unjustly or oppress other citizens. With respect to understanding Adam Smith, what lesson are we to learn from his stipulation that ***justice trumps freedom***. Since it is the duty of a government to prevent injustice or oppression, and no one has a right to freely violate the laws of justice, we are able to conclude that what citizens have a right to freely do will depend on the extent to which citizens act unjustly and oppress other citizens. The greater the degrees of injustice or oppression, the less freedom citizens have. So, the right of citizens to act freely will vary in proportion to the extent of injustice perpetrated by citizens towards other citizens.

Clearly, it becomes enormously important to determine the meaning of injustice or oppression since this will determine the extent of the rightful exercise of freedom for citizens. How does Smith explain what is just and what is unjust? Smith writes:

To hurt in any degree the interest of any one order of citizens, for no other purpose but to promote that of some other, is evidently contrary to that justice and equality of treatment which the sovereign owes to all the different orders of his subjects.⁵

Smith then goes on to explain:

"Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all."⁶

If a civil government exercises power to defend the interests of the rich against the interests of the poor, is this a violation of the laws of justice according to Adam Smith? Given what Smith writes about the injustice of violating the duty of a government to act impartially, promoting the interests of the rich contrary to the interests of the poor must qualify as a violation of justice. Accordingly, let us ask the same questions about the following. In chapter VIII "Of the Wages of Labour", Smith writes:

What are the common wages of labour, depends everywhere upon the contract usually made between two parties, whose interests are by no means the same. The workmen desire to get as much, the masters

[employers] to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.⁷

Smith then explains:

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; and the law, besides, authorises, or at least does not prohibit their combinations, while it prohibits those of the workmen. We have no acts of parliament against combining to lower the price of work; but many against combining to raise it.⁸

Smith is explaining why the wages of laborers are customarily low because it is illegal for workers to combine to raise wages, but not illegal for employers to combine to lower wages. The law prohibits workers from doing what it does not prohibit the rich from doing. This is an excellent example of "the more orderly oppression of law." Having provided us with evidence that working class poverty and misery has been facilitated by legislation that promotes the class interests of the rich against the class interests of the poor, Smith makes no attempt to conceal the fact that he believes that the means used by the rich and the powerful to prevent workers from raising wages is unjust: "*We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject.*"⁹ So, we have another example of how government promotes the interests of the rich against the interests of the poor by implementing a policy that favors lower wages.

But there is an additional consideration to take into account. Since *The Wealth of Nations* is devoted to explaining how to increase the wealth of a nation, it is pertinent to know that Smith identifies national wealth with "the productive powers of labour," so that to increase national wealth requires increasing "the productive powers of labour," and Smith explains how to accomplish this task by means of a policy he calls "the liberal reward of labour," or *higher wages*.¹⁰ This means that a government that permits the rich to pay lower wages to workers, is a government acting unjustly, which also means that workers are victims injustice. More specifically, any civil

government that enables the rich to exploit the poor by adopting legislation favorable to low wages, is a government that is not only acting unjustly, but is acting in a highly unproductive way that serves as an obstacle to increasing national wealth. Accordingly, the injustice of legislative interference that allows the rich to pay workers lower wages is a policy that must decrease the wealth of a nation. In this manner, imperatives of justice or injustice have direct relevance to the issue of how best to increase or decrease the wealth of the nation.

Since Smith believes that workers have a right to higher wages because workers have a right "to be themselves tolerably well fed, cloathed and lodged,"¹¹ a government that intervenes to prevent workers from earning higher wages is a government violating the rules of justice, as well as acting in an economically foolish manner by decreasing the productive power of workers. I bring this to our attention because the duty of a state to prevent injustice and oppression is directly relevant to both the economic and political functioning of a state. A state that exercises political power to the advantage of the rich and disadvantage of the poor is a state that violates both the laws of political justice and the rules of economic efficiency. Smith "kills two birds with one stone."

It seems to me that what Smith writes about justice and injustice is incompatible with the idea of a laissez-faire economy, an economy with little or no government intervention. For example, Smith provides us with numerous examples of the rich exploiting and oppressing the poor, using their absolute control of government to promote the interests of the rich contrary to the interests of the poor, as is on display in the example of legislative interference designed to promote lower wages and higher profits. This is an example of oppression of the poor by the rich, and I should point out that in the case of the determination of the wages of labor, Smith explains that we are dealing with "two parties, whose interests are by no means the same,"¹² In terms of the wages of labor, there is no "invisible hand" that reconciles the self-interest of the rich with the self-interest of the poor. The rich get what they want while the poor becomes victims of the injustice perpetrated by the rich. In the interplay between these conflicting self-interests, the rich win and the poor lose because the rich control the exercise of political power in the legislature. The propensity of the rich to exploit the poor, together with Smith's explanation of why the exploitation of the poor by the rich is injustice or oppression, rules out the possibility that Smith articulates and defends a doctrine of laissez-faire noninterference in the economy.

More precisely, I take Smith's writings on justice and injustice to be incompatible with a laissez-faire economic policy because a government's duty to enforce the laws of justice cannot accommodate a government that does not intervene in the economy because of the necessity of enforcing the laws of justice that prevent oppression and injustice. As we shall see below, there are schools of thought that identify a free market economy as incapable of injustice and oppression. If there can be no injustice, there is little need for government intervention to enforce the laws of justice. So, in the name of laissez-faire, free markets are demarcated as spaces where considerations of justice and injustice do not apply. But this is not Smith's point of view, which we know because there is no spontaneous reconciliation of the conflicting interests of masters and workers, and since we know that Smith acknowledged that is possible for the rich to oppress the poor, there is ample room for government intervention. Legislative intervention that benefits the rich and harms the poor is precisely what Smith places before the reader.

Moreover, we must remain cognizant of the fact that legislative interference that results in lower wages is an impediment to increasing national wealth, which means that a state's interest in increasing wealth requires legislative interference for the purpose of restoring the impartial application of the law that is required by the laws of justice. Smith acknowledges the indisputable fact that *"masters combine together in order to reduce the wages of their workmen . . . Were the workmen to enter into a contrary combination . . . the law would punish them very severely; and if it dealt impartially, it would treat the masters in the same manner."*¹³ Moreover:

Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are always the masters. When the regulation, therefore, is in favour of the workmen, it is always just and equitable; but it is sometimes otherwise when in favour of the masters.¹⁴

The point is that at the core of Smith's thinking on the subject of political economy is the conflict between rich and poor, because in order to increase national wealth and prosperity, it is vital that laboring poor have a right to higher wages as the incentive to be more productive, and thus to increase the wealth of the nation.

It is extraordinarily important to understand the strength of Smith's commitment to improving the standard of living of the laboring poor. Why? For the following reason:

The irony of history has left us with a profile of Adam Smith which is both false and unfair. He was the friend and champion of the poor, yet now he is regarded as the defender of privilege. He was a radical for liberty, but friend and foe now call him a conservative . . . What went wrong? How could the dedicated friend of the poor become the principal defender of the rich?¹⁵

This is an excellent question to raise with respect to our understanding of Adam Smith. Customarily, the Smith who is the friend of the rich is associated with the identification of Smith as one of the foremost proponents of a laissez-faire conception of political economy. But according to the author of the above statement, Smith was actually a friend of the poor, and I am inclined to agree with this assessment. How did it come about that Adam Smith came to be identified with a laissez-faire sensibility and as a promoter of the interests of the rich, if these matters are, in fact, false? When did the transformation of Adam Smith from a friend of the poor to the defender of the rich begin? In this study, I stipulate that Smith's reputation as a proponent of laissez-faire and defender of the rich began in the counter-revolutionary treatises of British critics of the French Revolution like Edmund Burke and Thomas Malthus. In fact, it was primarily Burke who converted Smith from a defender of the poor into a defender of the rich by posing as the world's foremost experts on Smith. More importantly, for the purposes of this study, Smith was co-opted and illicitly converted into the world's foremost champion of a laissez-faire conception of political economy

Why laissez-faire? Let us begin with Burke's contempt for what he called "democratic madness" or the rule of the "swinish multitude."¹⁶ To Burke, the French radicals wanted to turn the world upside-down, which meant they wanted the wealth, property, power, and privileges, of the rich, because they believed that "the poor and the downtrodden" had been victims of injustice and oppression for centuries. In the eventuality that the French Revolution raised the specter of the democratization of English politics, the English ruling class had better be prepared to defend themselves against the

accusation that the working class poor were victims of injustice and oppression perpetrated by the rich.

But why laissez-faire?: If the rich fear that their wealth and property is endangered by the prospect, however remote, of democratic government, how can they protect their wealth and property from democratic political power? The answer is laissez-faire, a doctrine of "no government interference in the economy." If a government is prohibited from intervening in the economy, then a democratic government would be unable "to take from the rich to give to the poor," since the government must leave the economy alone. Quite clever. Because a policy of laissez-faire serves the interests of the rich by preaching a sermon on the evils of government interference in the economy. Government should not interfere with the economy because this will result in economic disaster, and a laissez-faire sensibility is made to order for this because it means that the state should leave the economy alone, that is, do nothing. The demand to leave the economy alone was intended to protect the rich from democratic political power, classically regarded as "the rule of the poor." To leave the economy alone will preserve the economic status quo, protecting the wealth and property of the rich from the poor, who seek "to take from the rich to give to the poor." A government that "does nothing" will thereby promote the interests of the rich government by preventing government sponsored efforts to promote more equal distributions of wealth and income.

We have learned that Adam Smith believed workers deserved *higher wages* as a means to increase the wealth of a nation, whereas Burke, Malthus, and Ricardo were all low wage advocates, which is one of the ways that Smith was turned into the antithesis of what he promoted in *The Wealth of Nations*, identified as a proponent of low wages, the key to higher profits and increased national wealth. From the start of the nineteenth century, Adam Smith has customarily been regarded as perhaps the most important proponent of laissez-faire, a defender of the right of the rich to oppress the poor, the great foe of Karl Marx and all others who sought to use the coercive power of the state to promote what some have characterized as "the equal distribution of all wealth." Smith becomes the capitalist, the anti-Marx. Increasingly, Smith became the exclusive private property of right-wing defenders of economic inequality, the ultimate anti-socialist.

What follows are two statements that sum up the distortion of Smith's thinking:

The classical economists tended to describe the economic order as controlled by a set of natural laws analogous to those governing the physical order, and although they were by no means unqualified adherents of laissez-faire, they were inclined to argue that human interference with these laws would be productive of nothing but harm.¹⁷

*The fundamental theme of *Wealth of Nations* is what Smith's later supporters termed the doctrine of laissez-faire ("hands-off") capitalism. The doctrine held that the world of economics functions under "natural laws" (laws discovered in nature) which operate exclusive of politics. Government intervention in the economic order of things will upset these 'natural laws' and thereby disrupt a nation's economy. However, by maintaining a 'hands-off' policy and allowing private citizens complete economic freedom, governments can ensure the growth of a nation's wealth.¹⁸*

In each of these statements, Adam Smith is introduced as someone who makes "the case for laissez-faire" or what in the second statement, is characterized as "*the doctrine of laissez-faire ('hands-off') capitalism.*" Furthermore, the author of each statement informs us that Adam Smith inferred the doctrine of laissez-faire from the conception of an economy "governed by natural laws" or "laws discovered in nature which operate exclusive of politics." And each statement draws the same conclusion that government interference with these natural laws "will encounter disaster as surely as persons who ignore and flout the laws of gravity will" or that "[g]overnment intervention in the economic order of things will upset these 'natural laws' and thereby disrupt a nation's economy.

It is an essential theme of this study that there is no such thing as "laissez-faire liberalism." I am well aware that this is by no means an original insight. The same can be said of the denial that Adam Smith, in *An Inquiry into the Nature and Causes of the Wealth of Nations* adopts and defends a laissez-faire conception of political economy. I base my denial that there is a laissez-faire form of liberalism, customarily attributed to Smith, by stating that there is no credible textual evidence of Smith's alleged endorsement of laissez-faire economic policy. If, as I do in this study, we take what Smith writes in *The Wealth of Nations* as the standard that determines what is or is not liberalism, then the absence of laissez-faire in Smith's text means that there is no liberalism that presupposes the

acceptance of a laissez-faire ideological core. But each of these statements naturalizes Smith's alleged laissez-faire ideology, presenting the latter as the premise of an economic order that "can never be unjust" because it is governed by natural laws. Invoking the rhetoric of laissez-faire naturalizes the economic order and explaining why the economy requires no government regulation or control directs attention to the natural law basis of a free market economy.

But now let us direct our attention to the following:

By 1841, in Europe, and 1900, in America, industrialization, urbanization and increased population was accompanied by poverty, disease, ignorance, inhuman conditions of employment and periods of unemployment. Each of these developments invited an increase in legislation designed to protect the weaker members of a society in which competition between individuals determined relative standards of living. The majority of liberals feared that such intervention would undermine the economic foundation of society . . . It was thought, for several decades, that no matter how humanitarian the inspiration behind legislation to regulate the terms of contract between employer and employee for the protection of the interests of the latter, it must seriously hamper the creation of wealth and diminish the working man's chance of a share in it."¹⁹

For the purposes of this study, the significance of this statement consists in the identification of liberals and liberalism with *opposition* to "legislation designed to protect the weaker members of society" from the "poverty, disease, ignorance, inhuman conditions of employment and periods of unemployment" that occurred, "[b]y 1850, in Europe, and 1900 in America" as a direct consequence of industrialization urbanization and increased population. In the above statement, it is clear that the author identifies liberalism with laissez-faire economic policy, which has long been the customary view of Adam Smith from the early years of the nineteenth century up to the present day. The laissez-faire interpretation of Adam Smith is an Adam Smith who opposes "legislation designed to protect the weaker members of society" from "poverty, disease, ignorance, inhuman conditions of employment and periods of unemployment" For, after all, if Smith is a proponent of laissez-faire economic policy, he must object to any form of legislative interference in the economy, even if this legislative interference is "designed to protect the weaker members of society."

But this is not true of Adam Smith, author of *An Inquiry into the Nature and Causes of the Wealth of Nations*, the text generally understood to present "the gospel of laissez-faire." In *The Wealth of Nations*, Adam Smith would not, in principle, object to legislative interference "designed to protect the weaker members of society," such as the poor, including the laboring multitudes that represent "the far greater part of the members of society." Smith writes:

Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? The answer seems at first sight abundantly plain, Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged.²⁰

It is clear beyond doubt that in this statement, Smith considers working class poverty and misery to be an injustice, a form of oppression that, according to Smith, is the duty of government to protect citizens against: "The second duty of the sovereign [is] that of protecting as far as possible, every member of the society from the injustice or oppression of every other member of it."²¹ To deny to workers who are "poor and miserable," who Smith presents as victims of injustice, the right to legislative protection, would be a clear violation of the duty of a government to enforce the laws of justice. And let us be clear on this point, Smith adopts and defends the position that citizens have a right to be protected from the ravages of injustice and oppression that are the result of the exercise of political power or the failure to exercise political power in pursuit of justice. To deprive the weaker members of society of the right to any government assistance is in clear violation of what Smith labels "the liberal plan of equality, liberty, and justice"²²

What Smith characterizes as "the liberal plan of equality, liberty, and justice" is not premised on a policy of laissez-faire non-interference. Smith does not propose "do nothing" or "leave-it-alone" in the face of what he regards as injustice and oppression. In fact, I argue throughout this study

that we find the definitive meaning of liberalism in what Smith endorses or opposes in *The Wealth of Nations*, which I treat as the paradigm of what it means to be a liberal political thinker. There is no liberalism that accepts the moral legitimacy of working class poverty and misery that denies the right of citizens to be protected by legislative interference in the face of injustice. Neither Smith nor liberalism endorse and defend a political of legislative non-interference with respect to human suffering caused by political power. Accordingly, the essential aim of this study is to separate liberalism from laissez-faire, to present the advocacy of laissez-faire as an attack on the egalitarian premises and principles of liberalism, which means that there is no such thing as "laissez-faire liberalism," *aka* classical liberalism or economic liberalism. Whatever is presented as a laissez-faire form of liberalism cannot be truthfully considered liberalism. Why? Because invoking the rhetoric of laissez-faire is intended to promote working class poverty and misery.

More specifically, what we find in Smith's *The Wealth of Nations* is Smith's sense of the critical importance of the class division and class conflict between the rich and the poor. In mid-eighteenth century England, poor people, the laboring poor, remain as they always have been, politically powerless, with the rich controlling the exercise of political power. Smith explains low wages as the policy favored by the rich, and in his explanation "of the wages of labour," why wages are so low, why workers live in poverty and misery, his explanation emphasizes the interference of a legislature that promotes the interests of the rich against the interests of the poor. In other words, the laboring poor are victims of injustice perpetrated by a legislature controlled by the rich, a legislature that enacts laws incompatible with the rights and interests of the poor. Significantly, when David Ricardo warns that "wages should be left to the fair and free competition of the market and should never be controlled by the interference of the legislature,"²³ he fails to do what Smith does, which is to examine the factual determination of wages in order to discover if wages are or are not actually influenced by legislative interference. Smith explains that the wages of workers are low because the rich want workers to be poor and miserable, and actually exercise political power to impoverish workers while enriching themselves.

Given Smith's emphasis on the importance of class conflict between rich and poor, the few and the many, his examination of how wages are actually determined points to the political power of the rich and the political powerlessness of the poor. What Smith emphasizes is the fact that wages

remain low because workers are legally prohibited from "combining" to raise wages, while the owners of the means of production are not legally prohibited from "combining" to lower wages. According to Smith's conception of justice and injustice, it is emphatically clear that Smith regards working class poverty and misery as a violation of the laws of justice. If wages are low and workers are poor and miserable because of legislative interference that deliberately enriches the few and impoverishes the many, i.e., workers are victims of injustice, we are able to acknowledge that an appeal to the respective self-interest of rich and poor alike results in promoting the self-interest of the rich contrary to the self-interest of the poor.

I bring this to our attention because it is an example of conflicting self-interests that favor the interests of the rich over the interests of the poor, so as far as the determination of wages are concerned, the "invisible hand" that, according to certain prominent scholars, is supposed to promote the harmony of self-interests, seems to have disappeared. And this is a critically important point because Smith goes on to explain how utterly foolish the prevailing system of low wages is, since raising the wages of labor are, according to Smith, the best way to increase the wealth of the nation. Specifically, Smith explains why the desire of the rich to impoverish workers in order to keep workers poor and miserable is extraordinarily ignorant precisely because low wages decrease the wealth of the nation.

We now have before us a conception of the historical context in which Smith examines the wages of labor and the wealth of the nation. It is one in which the rich believe it is in their self-interest to keep workers poor and miserable because this promotes low wages, whereas the self-interest of workers and the public good of increasing national wealth require higher wages and what Smith designates "the liberal reward of labour."²⁴ To Smith, low wages are the fundamental obstacle to increasing the wealth of a nation. So, we know that Smith favors higher wages and we know that the rich favor low wages, and that the rich win and workers lose because of legislative interference that promotes low wages. The premise of Smith's instructions on how best to increase the wealth of a nation is the proposal for higher wages, a proposal opposed by the rich, who set forth the customary argument that low wages and working class poverty and misery are natural and thus unalterable.

Accordingly: both Ricardo and Malthus postulated low wages and working class poverty and misery are the result of natural laws that govern the economy in the same way that natural laws govern the universe. But

they also believed that these economic natural laws can be violated by government policy or the actions of legislators. Many economists and scholars of various disciplines inform us that the economy operates according to natural laws like those that govern the physical universe, while claiming at the same time that human beings can violate these natural laws, resulting in economic disasters. But to men like Malthus and Ricardo: "The conclusion was obvious. It was the height of folly on the part of Governments to attempt to interfere with the processes of this 'natural' order." Accordingly, to the classical economists, like Malthus and Ricardo, "it was still useless for governments to meddle or for the unfortunate to complain, since the world is governed by certain immutable economic laws which are not susceptible to human regulation."²⁵ Attempts by governments to raise wages is humanly impossible: *"They might as well attempt to regulate the tides by force, or change the course of the seasons, or subvert any of the other laws of nature--for the wages of labour depend upon laws as unerring and as much above our coercive power as any other operations of nature."*²⁶

But if the economy is governed by immutable natural laws that are immune to human coercive power, government attempts to interfere in the economy must always fail because the economy is governed by natural laws that are immune to human interference. Why fear human interference in the economy if such efforts must always fail, given the fact that the natural laws governing the economy are immune to human interference. Indeed, to warn people not to do what it is humanly impossible to do—do not coercively interfere in the economy—is a paradigm of human foolishness. But we cannot avoid acknowledging that proponents of laissez-faire, who incessantly warn against coercive interference in the economy even while defending the proposition that the economy is immune to human interference. Why worry about workers demanding the right to form unions in order to raise wages, if the wages of labor are determined by natural laws "beyond human control?"

But this is not the attitude of Adam Smith towards the wages of labor, which "depends everywhere upon the contract usually made between those two parties [masters and workers] ***whose interests are by no means the same.***"²⁷ Once Smith identifies higher wages as a public good, and then makes it clear that employers oppose Smith's proposal for higher wages in order to retain the traditional commitment to low wages, it is no longer possible to reconcile these conflicts of interests. In other words, the

"invisible hand" that is supposed to promote a natural harmony of self-interests. seems to have gone on vacation.

Let me make it clear that there is no liberalism that favors working class poverty and misery. As such, because invoking the rhetoric of *laissez-faire* is intended to protect a low wage industrial economy, so that workers can look forward to lives of poverty and misery, it is not possible for *laissez-faire* rhetoric to serve as a premise of liberalism. However, this fails to take into account the influence of Karl Marx, for whom "economic liberalism" is the premise for an industrial capitalist economy founded on low wages and working class poverty and misery. Following Marx, it soon came to be taken-for-granted that economic liberalism is another way to speak of a capitalist political economy, by both the Right and the Left, by defenders of capitalism and opponents of capitalism. Marxist historiography postulates working class poverty and misery as a necessary ingredient in a socialist recipe that depends on the misery of workers to become a revolutionary weapon in the struggle to destroy capitalism and prepare the way for socialism and communism. According to Marx, economic liberalism produces working class poverty and misery, produces radically unequal distributions of wealth and income which negate the doctrine of equal rights linked with political liberalism.²⁸ In this respect, equality of rights is negated by the theory and practice of a capitalist political economy that creates massive amounts of working class poverty and misery.

To explain. From the position I defend in this study, what Marx treats as "economic liberalism" is not liberalism at all, but a form of political illiberalism, that is, a doctrine of *laissez-faire* that Marx presents as a necessary condition for the capitalist domination and exploitation of labor. Marx is correct to associate *laissez-faire* ideology with increasing working class poverty and misery, but he is incorrect to identify *laissez-faire* ideology with liberalism because, as I argue, there is no liberalism committed to increasing working class poverty and misery. For what we know, beyond contradiction, is that Adam Smith's liberal conception of political economy cannot honestly be linked to policies that promote working class poverty and misery, since Smith proposes and defends "the liberal reward of labour."

Moreover, invoking the rhetoric of *laissez-faire* as a means of preventing government intervention in the economy is actually a specific form of intervention in the economy designed to prevent government from doing what those who invoke the rhetoric of *laissez-faire* do not want government to do. In this regard, invoking the rhetoric of *laissez-faire* is a

strategy employed by men and women who do not want government to intervene in the economy because they do not consider widespread mass poverty and misery to be unjust or oppressive because mass poverty and misery serve to lower the price of labor, that is, to lower wages. Reflect on the following:

Liberalism acquired its views on the state and society largely from two schools: the classical economists and the philosophical radicals. David Ricardo's 'natural laws,' along with the corollary theses of Adam Smith and Thomas Malthus, justified and sanctified the practices of the new factory capitalists who saw in the iron law of wages . . . justification for subsistence wages. Neither laborer nor government should tamper with these immutable economic laws, not even to relieve miseries, declared Ricardo.²⁹

Everything is correct in this statement with two exceptions. First, liberalism does not support Ricardo's "iron law of wages," and second, Adam Smith does not endorse "the iron law of wages" because he is opposed to a policy dedicated to subsistence wages. In other words, it is true that the sentiments on display represent "Ricardo's laissez-faire views on economics and the role of government," but Ricardo's views do not represent liberalism but laissez-faire illiberalism.

The scholarly literature devoted to the study of liberalism is replete with statements like—"Classical liberalism is built on ideas that had already risen by the end of the 18th century, such as selected ideas of Adam Smith, John Locke, Jean-Baptiste Say, Thomas Malthus and David Ricardo."³⁰ But none of these statements are correct, even though they have long been regarded as the conventional wisdom on Smith, Malthus, and Ricardo, who are customarily identified as theoreticians of classical liberalism and the laissez-faire views that are the defining characteristics of classical liberalism: In fact, if classical liberalism involves laissez-faire, it is not liberalism but illiberalism.

In this study, I explain why they are not liberals but anti-liberals and, as such, are opponents of Adam Smith, who is entitled to be portrayed as a theorist of classical liberalism, so long as laissez-faire is not considered a necessary element of classical liberalism. Throughout this study, I offer a detailed and comprehensive explanation of why liberalism and laissez-faire do not mix, emphasizing the claim that there is no such thing as "laissez-faire liberalism." We shall learn that laissez-faire is not and cannot be a core

feature of liberalism because a laissez-faire thesis is put forth for the purpose of lowering the wages of labor to the cost of subsistence, as low as wages can go., whereas Adam Smith is a proponent of *higher wages for laborers*, what Smith labels "the liberal reward of labour," the policy that Smith proposes as the best means of increasing the wealth of a nation.

The position that I defend is that laissez-faire is a policy commitment intended to lower wages for the sake of establishing a very cheap labor force composed of men and women condemned to live and work in permanent poverty and misery. Yes, lower wages equal higher profits. Simply put, laissez-faire is the antithesis of Smith's liberal proposal for higher wages, the latter an expression of one of the major premises of liberalism which I call *the humanization of labor*, a thesis first put forward by John Locke,³¹ with Smith elaborating on the meaning and significance of "the humanization of labor," establishing the premise that because workers of all kinds are human beings, they have a human right not to be poor and miserable, but rather they have a human right "to be themselves tolerably well fed, cloathed and lodged." The latter is a major feature of liberal egalitarianism, the principle that because workers are human beings, they have a human right not to be poor and miserable, as reflected in the following dictum: "Everyone but an idiot knows that the lower orders must be **kept poor** or they will never be industrious."³² This is precise proposition that Smith repudiates, and Malthus and Ricardo defend. There is no liberalism committed to promoting working class poverty and misery, although this is the foundation of laissez-faire antiliberalism.

It is standard right-wing "libertarian" propaganda the purpose of which is to make it clear that welfare liberalism is not liberalism, but socialism, and socialism is the stark antithesis of laissez-faire liberalism," and is, according to von Mises, a socialist commitment to "the equal distribution of all wealth."³³ Furthermore, if we go back to Adam Smith and discover the absence of any laissez-faire commitment, then we end up with laissez-faire as a species of anti-liberalism and anti-socialism, the defense of economic inequalities that enrich the few and impoverish the many. Imputing laissez-faire to Smith and *The Wealth of Nations* is tantamount to either failing to read the text or reading the text and not understanding what one has read. What is even more mind-boggling is the fact that many prominent scholars have so interpreted Smith that the evidence suggests they might not have read the text, given the absence of any textual evidence of a laissez-faire commitment.

But if you read what Smith writes in *The Wealth of Nations*, you will discover an Adam Smith who is nothing like the right-wing conception of Smith or the left-wing conception of Smith. Marx depicts liberalism as the historical staking horse the capitalist exploitation of labor, a point of view that cannot stand up to the textual evidence on display in *The Wealth of Nations*. Prior to Adam Smith, it was widely assumed that working class poverty and misery was natural and inevitable. Working class poverty and low wages would stimulate workers to labor for extremely low wages. If workers were not poor, they would not perform the dirty work every society demands of the lower orders. After all, in the words of Edmund Burke, "the laws of commerce, which are the laws of Nature, and consequently the laws of God."³⁴ In this manner, England's ruling class did not regard working class poverty and misery to be unjust and oppressive. In other words, workers are poor and miserable because this is natural, not political. Indeed, the poverty and misery of workers was a constant of human history. Blame nature. Blame God. But do not blame the rich for the condition of the poor. To Adam Smith, working class poverty and misery was political, not natural, the result of political power, not natural law.

Here is the problem. Burke, Malthus, and Ricardo started to invoke the rhetoric of laissez-faire in reaction to the French Revolution in opposition to Smith's proposal for raising the wages of labor. Laissez-faire, demanding that government leave the economy alone, intends to prevent democratic government from relying on democratic political power "to take from the rich to give to the poor." The purpose for invoking laissez-faire rhetoric is to protect the wealth and property of the rich and to preserve existing patterns of radical inequalities in the distribution of wealth that favor the rich and harm the poor. Understanding this issue requires an accurate understanding of what Smith writes in *The Wealth of Nations*, which means acknowledging that Smith does not propose a laissez-faire policy to increase national wealth. So long as Smith is misinterpreted as a laissez-faire theorist he will be mistakenly lumped together with Burke, Malthus, and Ricardo, and since Marx reinforces this mistake, Smith and liberalism have been completely misunderstood, and Smith is turned into the very thing he argues against—a defender of the interests of the rich committed to increasing working class poverty and misery.

"Laissez-faire, however, opposes any re-distribution of wealth by the government, and therefore gives a distinct advantage to middle and upper class people who are wealthy. In fact, by opposing any government

intervention in the economy, the laissez-faire ideology assures the security of the wealthy and justifies the unwillingness of the wealthy to share their wealth.³⁵

This is why it is misleading in the extreme to identify Smith with laissez-faire, because laissez-faire is an ideological recipe used by the rich to increase working class poverty and misery. Once we acknowledge the connection between laissez-faire and the impoverishment of the poor, and, having read the relevant textual writings, we should be in a position to understand why either Adam Smith or liberalism articulate and defend a policy of laissez-faire.

Let us note that "economic liberalism" is a synonym for laissez-faire liberalism:

But there was a difference between the Liberal attitude towards the State in economics and in politics. The principle of a natural identity of interests which, in the economic sphere, meant laissez-faire, did not extend to the political sphere Thus, in economics (which was the business of the middle class, the principle of utility pointed to laissez-faire and trust in the natural play of forces to produce the greatest happiness of the greatest number. In politics, however, (which was still the business of the aristocracy and not of the middle class), the principle of utility pointed in the opposite direction.³⁶

I am suspicious of the notion of an "economic liberalism" that is independent of political liberalism because scholars often identify economic liberalism with the absence of coercion, which is intended to equate laissez-faire with the maximization of individual liberty. Indeed, the separation of liberalism into independent political and economic spheres serves the interests of those who stand to gain if the government minds its own business and does not interfere in political life.

But one might feel that it is important to note that Smith does not divide liberalism into separate economic and political spheres, but instead explains that the subject he addresses is *political economy*, "considered as a branch of the science of a statesman or legislator proposes to enrich both the people and the sovereign."³⁷ To keep the state out of the economy is to give the rich a license to steal, as it were, because they are not to be trusted not to oppress the poor. This is why isolating an economy from the coercive power of the state serves the interests of the rich against the poor,

which is why Smith refers to an economy created by political power. But I have introduced us to the textual evidence where "justice trumps liberty," where the laws of justice specify the legitimate or illegitimate exercise of personal liberty. Scholars who ignore the importance of Smith's conception of justice omit some of the most important features of Smith's commitment to a liberal political economy. One of the defining qualities of a liberal political economy is the emphasis on limited state intervention, which suggests that the absence or the minimization of state intervention is not what limited government means to liberalism or Adam Smith. When I argue that there is no such thing as "laissez-faire liberalism", I mean that all that exists is the rhetoric of laissez-faire, not the reality of an actual laissez-faire economy. The fact is that liberalism is committed to liberating workers from poverty and misery, whereas laissez-faire ideology is committed to maximizing working class poverty and misery

The major difference between Adam Smith and Hayek and those who follow his lead, is that while Smith has no reticence about a politics of class division and class conflict, the same is not true of Hayek, et al., who want to have nothing to do with the dirty business of class conflict which, after all, smacks of Marx and Marxism. Had Hayek seriously investigated the writings of Smith and Madison, he might have discovered that they noted the significance of class conflict long before Marx. Nothing about free market capitalism disposes of class division and class conflict, which has long been, for better or worse, the very stuff of politics. Nothing about laissez-faire changes this fact, for we have learned that invoking the rhetoric of laissez-faire is a class strategy adopted by the rich to oppress the poor.

CHAPTER ONE

LIBERALISM, THE HUMANIZATION OF LABOR, AND ADAM SMITH'S PROTEST AGAINST THE INJUSTICE OF WORKING CLASS POVERTY AND MISERY:

Reflect on the following statement:

*For most Americans income has stagnated and declined for the past two decades. Much of what Americans lost in wages and salaries as their jobs were moved offshore came back to shareholders and executives in the form of capital gains and performance bonuses from the higher profits that flowed from foreign labor costs. The distribution of income worsened dramatically with the mega-rich capturing the gains, while the middle class ladders of upward mobility were dismantled.*³⁸

This statement appears in the book entitled *The Failure of Laissez-faire Capitalism*, the author of which is Paul Craig Roberts.³⁹ According to Roberts, "the failure of laissez-faire capitalism," is the result of a "distribution of income [that] worsened dramatically with the mega-rich capturing the gains, while the middle class ladders of upward mobility were dismantled."⁴⁰ Specifically, evidence that laissez-faire capitalism has failed consists in the fact that "[f]or most Americans income has stagnated and declined for the past two decades." while the opposite is true for "the mega-rich." But I beg to differ with Roberts because the evidence that he presents as proof of "the failure of laissez-faire capitalism": *"In this respect, invoking the rhetoric of laissez-faire has been an astonishing success, not a failure, because when the rich get richer and everyone else becomes poorer, the essential purpose of laissez-faire rhetoric has been achieved."*

The fact that during the past twenty years the rich got richer while everyone else became poorer is a sign of the *resounding success* of laissez-faire capitalism, whether in America or elsewhere, for the fundamental purpose of laissez-faire capitalism or, rather, the fundamental purpose of invoking the rhetoric of laissez-faire capitalism, has always been to prevent the adoption of governmental policies intended to reduce inequalities in the distribution of income. Specifically, the rhetoric of laissez-faire has been and continues to be employed by the rich to maintain or increase their share of the distribution of wealth and income to the detriment of everyone else, most especially, the members of the working classes.

The mistake made by Roberts is the same mistake most people make when they address the subject of *laissez-faire*—they believe that *laissez-faire* capitalism involves the organization of an economy—production, consumption, distribution—according to a policy intended to minimize or eliminate coercive government regulation of the economy, and in this way promote the economic well-being of everyone.⁴¹ After all, *laissez-faire* means "leave-it-alone" or "do nothing," as those who urge the adoption of *laissez-faire* claim that by reducing government intervention in the economy they are not only increasing everyone's wealth and income, but also their personal liberty. All of this "*laissez-faire* means no government intervention in the economy" is pure nonsense because in point of fact, invoking the rhetoric of *laissez-faire* is itself a deliberate form of government intervention in the economy intended to prevent government from engaging in the coercive redistribution of income ostensibly to provide a remedy for the injustice of prevailing inequalities in the distribution of income."

The men and women who invoke the rhetoric of *laissez-faire* do want to eliminate government regulation of the economy, but rather they want to control the exercise of the coercive power of government in order to enrich the few and impoverish the many. On the surface, the rhetoric of *laissez-faire* is invoked and applied in order to create an economy that operates outside the sphere of the coercive powers of government, although the true purpose of *laissez-faire* rhetoric is to deceive people into believing that working class poverty and misery in a free market economy is natural, not political, that is, in order to create the illusion that because a free market economy is natural, not political, the results of a free market economy can never be unjust. Those who invoke *laissez-faire* rhetoric do so as apologists for the men and women who are, in fact, responsible for working class poverty and misery. In more precise terms, invoking the "leave-it-alone" rhetoric of *laissez-faire* is propaganda intended to make people believe that increasing mass poverty and misery is not the result of political power exercised by the rich, but rather is the unavoidable consequence of the natural laws that govern the operation of the free market. Blame the government, but not the rich. Invoking the rhetoric of *laissez-faire* is the means by which the rich protect themselves against the exercise of political power by the poor, otherwise known as democracy.⁴²

I begin with this discussion of *laissez-faire* because most scholars of liberalism claim that the original liberalism, customarily characterized as "classical liberalism" or "*laissez-faire* liberalism," begins with the embrace

of a laissez-faire sensibility. But it is my thesis that there is no such thing as "laissez-faire liberalism" because laissez-faire is actually the face of *antiliberalism*, opposed to and incompatible with liberalism precisely because laissez-faire economic policy promotes the interests and rights of the rich, contrary to the interests of rights of the poor. More specifically, laissez-faire is invoked against liberalism because liberalism regards a political economy based on mass poverty and misery as unjust and oppressive. And yes, I say this in full knowledge of the fact that Karl Marx considered liberalism as a commitment to mass poverty and misery, as a doctrine intended to exploit and oppress the working class poor. Marx, however, was and is wrong, although most people assume he was right, which is especially true with regard to anti-Marxist defenders of free market capitalism, otherwise known as "economic liberalism." In simple, if not simplistic terms, those who invoke laissez-faire do so because they favor a political economy that enriches the few and impoverishes the many, whereas liberalism adopts a more egalitarian point of view that does not approve of the unequalitarian consequences of laissez-faire.

But let us examine this matter in a more detailed manner. According to Gunnar Myrdal:

"Out of the concept of a 'natural order' and its identification of value and fact grew the doctrine of laissez-faire. It was supposed to become immediately apparent from a study of the nature of economic life: it was held to be at once a scientific 'law' and a political postulate."⁴³

The following statement is an excellent example of how "a political postulate" is deduced from "a scientific 'law'" or what is represented or misrepresented as "a scientific 'law.'"

The case for laissez-faire, as expounded by Adam Smith, may be summarized as follows: 'Society, like the physical universe, is a rationally designed, sensible, orderly mechanism governed by natural laws.' . . . Governments ignoring these laws of social disorder will encounter disaster as surely as persons who ignore and flout the laws of gravity will. Governments who attempt and restrict economic competition, hamper the efficient and the successful, or help the inefficient and unsuccessful at the

expense of the successful can only blunder and upset the delicate but perfectly adjusted balance of the natural socio-economic system.⁴⁴

Note how the authors of each statement attribute their respective views to Adam Smith, who is identified with "the case for laissez-faire" and "the doctrine of laissez-faire"—"The case for laissez-faire" emerges from the belief that "society, like the physical universe, is a rationally designed, sensible, orderly mechanism governed by natural laws," that is, "laws discovered in nature," not laws made by human beings." Moreover, the authors make it clear that by "natural laws" they mean a law of nature of the same status as "the law of gravity."

Both authors also speak of "persons who ignore and flout the laws of gravity" which will lead to "disaster" resulting from "government intervention on the economic order of things. ***Governments who attempt and restrict economic competition, hamper the efficient and the successful, or help the inefficient and unsuccessful at the expense of the successful can only blunder and upset the delicate but perfectly adjusted balance of the natural socio-economic system.***"⁴⁵ Neither of these authors are perturbed by the fact that given the premise of an economic order purportedly governed by natural laws identical in status to the law of gravity, it should be readily apparent that to speak of "flouting the laws of gravity" or disobeying the natural law gravity is to enter the realm of absurdity and nonsense. Why? Because the most important attribute of a natural law is its immunity to human interference. Indeed, it is this immunity to human interference that is offered as the rationale for a policy of laissez-faire. But if an economy is governed by scientific laws like the Newtonian laws of physics, human interference in the natural operation of the economy would be humanly impossible. This means that warning people not to do what it is humanly impossible to do is an exercise in absurdity and futility, since no one can "flout the laws of gravity." Although both of these statements might appear to be a scientific fact, just like the law of gravity or any of the other physical laws that govern the universe, they are both beset by internal contradictions that render them hopelessly false and misleading.

What is the significance of the fact that "the doctrine of laissez-faire" presupposes "the concept of a 'natural order,' from which we infer "no government intervention in the economy" given the initial premise that the economy is itself "a natural order?" It is also important to understand why Myrdal claims that the idea of a natural order is "at once a scientific 'law'

and a political postulate." We can illustrate what this means by reference to the natural law of gravity, which is a scientific fact that is not dependent on human action. If, for sake of argument, we acknowledge as a fact that a free market economy is immune to human coercive interference because free markets are natural orders, there is no need to warn against state interference in the economy because natural orders like a free market are immune to human interference. In other words, *laissez faire* would be the only possibility just like "what goes up must come down" because of the law of gravity, and it would certainly be bizarre to insist that government must never interfere with the law of gravity since this is humanly impossible.

In other words, according to the identification of free markets as natural orders governed by natural laws that are, by definition, immune to human interference, warning governments to "leave-it-alone" or not to interfere with the operation of a free market is absurd, complete nonsense, equivalent to warning against government interference with the law of gravity. I begin with this material because a major purpose of this study is to refute the assertion by Friedrich Hayek that because free markets are "spontaneous orders" and "natural orders" the outcomes of free markets—think distribution of wealth and income—cannot be unjust because, by definition, *"nature can never be unjust"*.⁴⁶ As such, anyone who, for any reason, claims that radical inequalities in the distribution of wealth and income characteristic of capitalist political economies are unjust and/or oppressive, must be wrong since concepts like just and unjust are inapplicable to nature. To Hayek, and all those who agree with him, the naturalization of free market outcomes guarantees that Karl Marx and Marxist critics of working class poverty and misery must be wrong, defending a position that must always be false.

The real issue we are dealing with is to determine whether or not Friedrich Hayek is correct when he claims that free market outcomes, i.e., the distribution of wealth and income, can never be unjust because nature can never be unjust. More specifically, Hayek insists that the distribution of wealth and income resulting from the operation of a free market cannot be unjust because free markets are governed by natural laws and it is the unique quality of what is natural is that it can never be unjust because what is natural is, by definition, neither just or unjust, neither good or evil, since nature is immune from injustice. It would be ridiculous to characterize the operation of the natural law of gravity as good or evil, just or unjust, because, as Hayek, explains, "only human conduct can be called just or unjust,"⁴⁷ and the most conspicuous feature of what it natural is that is

operates independent of human will and human coercive power. Nature is, in a word, *impersonal*, that is, without persons, without a human element. The law of gravity regulates human behavior without any assistance from human beings and, moreover, a natural law like the law of gravity is impervious to human coercive power, is immune to human interference. In other words, it is absurd to believe that the law of gravity can accommodate the language of justice or injustice

Let us pay attention to the words of David Ricardo: "*There are miseries in the social state which legislation cannot relieve. Hence the futility of poor relief, and of attempting to raise wages by combining in trade unions. . . .*"⁴⁸ Of such beliefs, Cobden responded: "*They might as well attempt to regulate the tides by force, or change the course of the seasons, or subvert any of the other laws of nature—for the wages of labour depend upon laws as unerring and as much above our coercive power as any other operations of nature.*"⁴⁹ The point is very simple. People are rich or poor not because of human coercive power, but because a free market is a natural order with a real immunity to injustice. More specifically, the rich can never be responsible for mass poverty and misery

Of course, if it was true that "the wages of labour depend upon laws as unerring and as much above our coercive power as any other operations of nature," there would be no reason to fear government intervention because natural is immune to human interference. Simply put, if markets are natural, if market outcomes are natural, if mass poverty and misery are natural, the consequence of the operation of natural laws like the law of gravity that are by definition beyond human control, then there is nothing more to say. What is natural is immune to human interference and if mass poverty and misery are natural outcomes of market interactions, then no one is to blame. If the few are rich and the many are poor because of nature, then nothing can be done by human effort to correct that which is beyond correction. So, if someone claims that mass poverty and misery are consequences of a natural order like a free market, then this is a fact that makes mass poverty and misery "beyond human control," something that cannot be altered by human power, and something that is beyond good and evil.

But we are dealing with presumably intelligent men and women who would understand that anyone who warned against government interference with the law of gravity would be speaking nonsense because the law of gravity is immune to human interference. Yet these same presumably

intelligent men and women have no compunction about warning governments not to interfere in an economic order that is portrayed as identical in status to the law of gravity. More precisely, it makes no coherent sense to naturalize an economy and at the same time express a fear of state interference in an economy governed by laws of nature that operate beyond human control. Why would these presumably intelligent men and women warn the state not to interfere with that which is immune to human interference? Because they are not doing science but ideology. Because the purpose of naturalizing a free market economy is to prevent government from interfering with the distribution of wealth and income, even though the latter, being natural, is supposed to be immune to human interference. In other words, the ideological purpose is to prevent a government from "taking from the rich to give to the poor" ostensibly as a remedy for the injustices perpetrated by the rich against the poor.⁵⁰

If working class poverty and misery are natural, that is, not the result of human power, then mass poverty and misery can never be unjust, even though men and women declare mass poverty and misery to be unjust, and demand that government interfere in order to transfer wealth from the few to the many, the fact that mass poverty and misery are identified as the consequence of natural laws no different in kind than the law of gravity should mean that human interference with the natural basis of poverty and misery would be humanly impossible. The same natural forces that make free markets immune to injustice are the same natural forces that make market economies immune to human interference. Given this fact, what purpose is served when someone invokes the rhetoric of *laissez-faire* to convey the impression that with respect to the natural order the free market there is a choice of interference or noninterference? But there is no choice involved when we are dealing with natural orders that are immune to human interference.

Why would anyone with a modicum of intelligence invoke the rhetoric of *laissez-faire* to prohibit coercive state interference with the outcomes of the natural order of a free market, if free markets are immune to human coercive interference? Because those who invoke the rhetoric of *laissez-faire* in the context of the natural order of a free market are attempting to prevent the government from doing that which the rhetoricians of *laissez-faire* disapprove of, and what they disapprove of is state sponsored redistribution of wealth and income in order to transfer wealth and income from the rich to the poor, the few to the many. Presenting a free market economy as natural is a *subterfuge*, a hoax, that is, "a dodge to avoid

blame or get out of something through a false excuse."⁵¹ Synonyms of *subterfuge* are deception, trick, dodge, ruse, fraud.⁵² Indeed, in this study I shall use the term "subterfuge" to refer to ***"a fraudulent form of speech intended to deceive by presenting as true what is actually and knowingly false."***⁵³ The deception consists in the assertion that since nobody is to blame for the distribution of wealth, the distribution of wealth and income in a free market economy can never be unjust because free markets in a capitalist political economy operate on a natural basis. The task of the rhetorician of laissez-faire is always to prevent the redistribution of wealth from rich to poor, to protect the wealth and property of the few, to deny that the rich are responsible for mass poverty, and to persuade people to believe that laissez-faire naturalization is true, even if it is false.

But there is still another purpose for invoking the rhetoric of laissez-faire, which is to conceal the fact that invoking the rhetoric of noninterference is actually a deliberate act of interference the purpose of which is to protect the wealth and property of the rich, as well as to prevent the poor from using democratic political power "to take from the rich to give to the poor, "motivated by the belief that the wealth of the few and the poverty of the many is a consequence of the unjust exercise of political power. Those who invoke the rhetoric of laissez-faire do so because they do not want to say that their intent is to enrich the few and impoverish the many. That is, they defend oligarchy but pretend that they do not defend oligarchy. But once again, why laissez-faire? Because laissez-faire is identified with the absence of coercive political power, with a "leave the economy alone" point of view. The rhetoric says no intervention, but only to conceal the reality of intervention for the sake of preserving widespread inequality in the distribution of wealth and property. Defend the rights and interests of the rich while denying that this is what is taking place.

Perhaps the best example of why I consider invoking the rhetoric of laissez-faire to represent a *subterfuge*, as well as the best example of how "the subterfuge of laissez-faire" works, is on display in the following statement:

When typhus or cholera breaks out, they tell us that nobody is to blame, That terrible Nobody! How much he has to answer for! More mischief is done by Nobody then by all the world besides. Nobody adulterates our food. Nobody poisons us with bad drink. Nobody supplies is with foul water. Nobody spreads fever in blind alleys and unswept lanes. Nobody leaves towns undrained. Nobody fills jails, penitentiaries and convict stations. Nobody

makes poachers, thieves and drunkards." Nobody has a theory, too – a dreadful theory. It is embodied in two words: Laissez-faire-let alone. When people are poisoned by plaster of Paris mixed with flour, 'Let alone' is the remedy. . . . Let wretchedness do its work; do not interfere with death.⁵⁴

The author of this statement is Samuel Smiles, in a book entitled *Thrift*, published in 1875.⁵⁵ H. Scott Gordon, in "The Ideology of Laissez-Faire," remarks that the above passage "is the most powerful anti-laissez-faire passage I have encountered in the literature of the Victorian age."⁵⁶ Smiles' statement reeks of sarcasm because Smiles wants to explain how those responsible for mass poverty and all its attendant suffering, manipulate the doctrine of laissez-faire by exclaiming that "nobody is to blame," but Smiles exposes the subterfuge of laissez-faire when he declares "somebody is always to blame."⁵⁷ And this "somebody" is the rich, who are responsible for the fate of the poor., even though they might insist that "nobody is to blame."

In connection with Smiles, it is important that we understand that he was the most important champion of self-help during the Victorian era, which means that Smiles wishes to expose the appeal to laissez-faire ideology as a complete fraud, as the most significant obstacle to self-help. In this respect, we have the insistent of A.V. Dicey that in nineteenth century England, there has been a dramatic shift "from individualism to collectivism," from laissez-faire, which depends on "faith in self-help, to the state intervention that destroys self-help. "The mere decline, therefore, of faith in self-help . . . is of itself sufficient to account for the growth of legislation tending towards socialism."⁵⁸ And we should make no mistake here, for references to government intervention by those promoting laissez-faire, or lamenting the collapse of laissez-faire, almost always raise the specter, explicit or implicit, of socialism, with Dicey among those who feared that egalitarian socialism was becoming dominant because of the democratization of politics.

But then we have Samuel Smiles arguing that what "kills self-help" is "the subterfuge of laissez-faire" which preserves the oppressive conditions that deprives the mass poor of the ability to engage in effective self-help. It is the invocation of laissez-faire by men like Dicey that leads to increasing government intervention in order to eliminate the evils imposed on the poor by the rich, with Smiles "urging that there ought to be a law, indeed a whole series of laws, about drainage, water, paving, ventilation, etc.,"⁵⁹ because it is the absence of such laws that create circumstances antithetical to self-help. So, we have the spectacle of "the leading apostle of

Victorian self-reliance” condemning laissez-faire ideology as the greatest obstacle to self-help. If “faith in self-help” is in decline, the culprits responsible for this are not the proponents of government intervention but those invoking the ideology of laissez-faire. What someone like Dicey wants to do is to blame the declining faith in self-help on those promoting government interventions for the purpose of promoting what is labeled “socialism.”

But this portrayal of laissez-faire as self-help, as a necessary condition of individual liberty, as an ideal antithetical to increasing state intervention, is exposed as fraudulent by Samuel Smiles, the great proponent of self-help in Victorian England. Yet we can understand why Dicey would perpetrate this fraud, for he is engaged in a desperate attempt to stem what he presents as “the growth of legislation tending towards socialism.”⁶⁰ What Dicey and those who agree with him fear is that Marx’s prophecy that democracy will produce socialism seems to be coming true, which is why the subterfuge of laissez-faire is invoked by those who fear the loss of their wealth and property. What takes place in nineteenth century England is a continuous struggle by the rich to protect their wealth and property by invoking the rhetoric of laissez-faire, and Dicey’s counterpart at the start of the nineteenth century is Edmund Burke, who also relies on the rhetoric of laissez-faire in response to fears of the democratization of politics.

What Smiles exposes to the light of public scrutiny is the fact the rhetoric of laissez-faire, identified with opposition to government interference in the economy, is a rather elaborate subterfuge designed to deflect attention away from the fact that the theory of laissez-faire is, in practice, not a universal prohibition against political interference in the economy, but instead is a deliberate form of coercive interference intended to prevent the state-sponsored transfer of wealth from the few to the many, the rich to the poor. The rhetoric of nonintervention is the specific means by which the rich, and the public intellectuals whose task is to promote the interests of the rich, attempt to influence the making of public policy so that all efforts of the laboring poor to liberate themselves from the misery and suffering associated with mass poverty will fail, the result being the protection and preservation of the wealth and property of the rich.

Think of the subterfuge of laissez-faire in the following way. Those who, like Hayek, invoke the rhetoric of laissez-faire do so in opposition to Marxist egalitarianism, the fear that if it is legitimate to think in terms of free market outcomes as just or unjust, then left-wing critics of capitalist economic inequalities can claim that widespread income inequalities that

enrich the few and impoverish the many are the result of the unjust exercise of political power, the remedy for which is the coercive redistribution of wealth by a government dedicated to social justice. But if free markets are natural orders that can never be unjust because "nobody is to blame," then there is no injustice to be remedied by income redistribution. But we now can understand much more emphatically that the purpose of invoking the rhetoric of laissez-faire is to make it possible to argue that "***the naturalness of the market depoliticizes the distributional outcomes.***"⁶¹ To depoliticize the market by means of laissez-faire rhetoric is to remove the possibility of injustice from market outcomes, so that the fact that the rich continue to get richer and the poor continue to get poorer, cannot be unjust ostensibly because the distribution of wealth and incomes are determined by nature, not political power. And nature is an impersonal sphere of life in which nobody rules. In Smiles' terms, the rule of nature (nobody), has the following meaning: "***Let wretchedness do its work; do not interfere with death.***"⁶²

According to Smiles, laissez-faire and the naturalization of free markets are rhetorical flourishes intended to provide the rich and the powerful with an alibi the purpose of which is to enable them to deny any blame or responsibility for working class poverty and misery. We can see how this plays out when Hayek famously claims that because free markets are natural orders the outcomes of free markets, i.e., the distribution of wealth and income can never be unjust. The concepts "social justice" and/or "distributive justice" are, in Hayek's words, *a mirage*,⁶³ something imaginary, not real. Why? Because the outcomes of free market operations are natural, and nature can never be unjust, since "there can be no distributive justice where no one distributes." Nature, after all, is entirely *impersonal*, operating in the absence of human power. But what we have discovered may be called *the mirage of natural markets*,⁶⁴ that is, the rhetorical naturalization of markets in order to conclude that anyone who criticizes the fact that the market seems to always enrich the few and impoverish the many as "injustice or oppression," must always be wrong because markets are natural orders and nature can never be unjust.

In the case of Hayek, von Mises, and Friedman, the purpose served by the rhetoric of laissez-faire and natural markets is to expose the alleged "fact" that the Marxist critique of capitalism as unjust is false since we "know" that because markets are natural phenomena, the natural distribution of wealth and income can never be unjust, which means that working class poverty and misery is never unjust. More specifically, once it is "proven" that working class poverty and misery are natural outcomes of free markets,

Hayek and his like-minded supporters conclude that concepts like "distributive justice/injustice" or "social justice/injustice" are incoherent when applied to free market outcomes:

In the 2nd volume Law, Legislation and Liberty, published in 1976, Hayek called the idea of social justice a "mirage." . . . In case there might be any confusion about his view, he also called social justice a "will-o-the-wisp" . . . an "empty formula," . . . "strictly," "necessarily," and "entirely" "empty and meaningless" . . . a phrase that "meant nothing at all" . . . that "has no meaning whatsoever," . . . a vacuous concept" . . . a quasi-religious belief with no content whatsoever" . . . a "primitive... anthropomorphism" . . . or "atavism," . . . a "superstition" like believing in witches or the philosopher's stone . . . or a "hollow incantation" . . . like "open sesame."⁶⁵

These are the terms that express Hayek's contempt for any claim that the distribution of income in the political economy of free market capitalism is unjust, for we know that Hayek regards these claims that working class poverty and misery are the result of the unjust exercise of political power by the rich against the poor. Hayek's position applies most conspicuously to what he considers the Marxist critique of capitalism as a system of political economy dedicated to the ever-increasing poverty and misery of workers, the industrial proletariat. In particular, what Hayek sets out to refute is the claim that the remedy for the unjust distribution of wealth and income is the redistribution of wealth and income from the rich to the poor until the ultimate goal of Marxism is realized—the equal distribution of all wealth. But Hayek is on record as identifying free market capitalism as a natural order that can never produce unjust results, a position that must mean that Marx and Marxists are wrong because "nature can never be unjust."

What I am suggesting is that Hayek naturalizes free markets in order to refute the Marxist critique of the fact that capitalism enriches the few and impoverishes the many, with Marx politicizing what Hayek naturalizes, or, if one prefers, depoliticizes. Once we realize that to naturalize means to depoliticize, we arrive at the awareness that Hayek must depoliticize the outcomes of free markets in order to deprive anyone of the ability to truthfully insist that working class poverty and misery are political, not natural. In other words, Hayek is doing propaganda, not scientific analysis, which is why he naturalizes what is political. As Buchanan explains, Hayek

misrepresents how free markets operate because his task as a self-proclaimed anti-Marxist warrior is to deny the truthfulness of Marx's interpretation of capitalism.⁶⁶

Invoking the rhetoric of laissez-faire is the means of naturalizing free market outcomes, since there is no rationale for state intervention in an economy governed by natural laws because there is no injustice to be corrected by redistribution. However, properly understood, once free market outcomes are naturalized, it becomes humanly impossible to interfere in markets. The same nature that prevents injustice is the same nature that prevents human interference in markets. Although the mirage of natural markets is false, it can nevertheless still be effective as a propaganda tactic intended to prevent the egalitarian redistribution of wealth. This is the point made by James Buchanan in "The Soul of Classical Liberalism" when he devises the myth of "an extended market order . . . in which *no* person exerts power over another." How and why is this possible? Because: "Coercion by another person is drained out."⁶⁷ No coercion, no injustice. No injustice, no redistribution. Market economies that can never be unjust are perfection, a rival to the Marxist vision of a classless economy. Again, this is fantasy, not fact, but fantasy as propaganda, fantasy presented as fact. A free market economy in which "coercion . . . has been drained out." No coercion, no injustice." But at all times the fantasy must be identified as fact, as true, even though it is not. A myth might be useful as propaganda, but it still remains untrue.

To be sure, it has long been the case that just about anyone can and does treat the laissez-faire myth as if it was true, which means it has been as most effective form of propaganda. For example: *"Historians have long been intrigued by the fact that the 'heyday' of laissez faire was so brief. The eminent jurist A.V. Dicey deplored the fact that it lasted only half a century, from 1825 to 1875, its death coinciding with the centenary of the Wealth of Nations . . ."*⁶⁸ But contra Dicey, there has never been, in any civilized society, a "heyday" of laissez-faire, that is, an economy devoid or almost devoid of government regulation. The antidote to Dicey is, of course, Samuel Smiles, who understands the ideological utility of invoking the rhetoric of laissez-faire, with its vision of "the rule of nobody" in order to contend, regarding mass poverty and misery, that "nobody is to blame," certainly not the rich and the powerful. Just read Edmund Burke. Blame it on nature, on nature's God, on "the laws of commerce," but never, ever, blame the rich.

Nevertheless, there is an important sense in which the rhetoric of laissez-faire, not an actual laissez-faire economy, dominated during large segments of the nineteenth century, its effectiveness measured by the fact that no less a figure than Dicey writes as if Great Britain had actually experienced a true "leave-it-alone" economy, even though Dicey, like everyone else, mistakes the rhetoric for reality. For as I have already brought to our attention is the brute, unforgiving, fact that invoking the rhetoric of laissez-faire is itself the form of interference in the economy preferred by the rich, who have cleverly relied on the rhetoric of noninterference to disguise the fact that the rhetoric of laissez-faire is invoked to prevent the state from doing what the rich disapprove of, which is "taking from the rich to give to the poor."

More specifically, the rhetoric of laissez-faire is invoked against egalitarian ideologies or against the efforts of the poor and miserable to acquire the political power that, in the words of Adam Smith, is necessary for "the laboring poor" "to be themselves tolerably well fed, clothed and lodged." So, when the rich are able to plunder the labor of the poor, they do so under the authority of laissez-faire rhetoric and the pretend game that "no one is to blame" for mass poverty and misery. When the rich get richer and the poor get poorer, *the subterfuge of laissez-faire* has accomplished its ideological task.

The prominent twentieth century economist, Milton Friedman, writing as one of those "classical liberals of today", supports the thesis that "true liberalism was hijacked sometime around the end of the nineteenth century":

*Beginning in the late nineteenth century, and especially after 1930 in the United States, the term liberalism came to be associated with a very different emphasis, particularly in economic policy. It came to be associated with a readiness to rely primarily on the state rather than on private voluntary arrangements to achieve objectives regarded as desirable. The catchwords became welfare and equality rather than freedom.*⁶⁹

The claim that liberalism in the twentieth century emphasizes "welfare and equality rather than freedom" is labeled by Friedman as "the **corruption** of the term liberalism"⁷⁰ rather than an alteration in the meaning of liberalism as a response to changing circumstances. According to Friedman, liberalism does not and cannot accommodate a policy of

*taking from some to give to others, not as more effective means whereby the 'some' can achieve an objective they want to achieve, but on the grounds of 'justice.' At this point, equality comes into conflict with freedom; one must choose. One cannot be both an egalitarian, in this sense, and a liberal.*⁷¹

The phrase "taking from some to give to others" is a coded way of depicting welfare liberalism as a form of socialism dedicated to relying on the coercive power of government to redistribute wealth and income in order to further the objective of promoting "equality of income for all." As Friedman explains: *"In the name of welfare and equality, the twentieth century liberal has come to favor a revival of the very politics of state intervention and paternalism against which classical liberalism fought."*⁷²

Friedman identifies himself as one of those "classical liberals of today," and most scholars agree with him:

Classical liberalism (also called **laissez-faire liberalism**) is a term used to describe the philosophy developed by early liberals from the Enlightenment until John Stuart Mill as well as its revival in the 20th century by Friedrich Hayek and Milton Friedman, among others. This contemporary restatement of classical liberalism is sometimes called "new liberalism" or 'neo-liberalism'".⁷³

Let us be clear on this point. Friedman is a major contributor to the school of thought that identifies liberalism exclusively with laissez-faire, regarding the modern welfare state as an expression of socialism, not liberalism—"no laissez-faire, no liberalism." Additionally, Friedman rejects the claim that "liberalism meant one thing during the eighteenth and nineteenth centuries but means something quite different in the twentieth century."⁷⁴ To Friedman and other "classical liberals of today," liberalism in the eighteenth and nineteenth centuries was an expression of laissez-faire economic policy, so that when laissez-faire was abandoned near the end of the nineteenth century, liberalism itself was also abandoned. Thus far there are two dominant positions, the first insisting that without laissez-faire there can be no liberalism, the second insisting that the welfare of citizens required state intervention in the economy to diminish the suffering associated with *"the widening disparity between rich and poor in the late 19th century."*⁷⁵

In the position I articulate and defend, there is no such thing as "laissez-faire liberalism" because liberalism and laissez-faire are antithetical to one another because to invoke the rhetoric of laissez-faire is a deliberate

attempt to circumvent and impede the egalitarian ideals of liberalism, as these are on display in the writings of Locke, Smith, and Madison, where we find the precise kind of egalitarian moral and political commitments that form the unique and thoroughly modern identity of liberalism. From its very origins as a reaction to the age of religious warfare in sixteenth and seventeenth century Europe, liberalism, or what eventually came to be labeled liberalism, offered a revolutionary conception of politics that repudiated the customary premises of all previous theories of how political life ought to be organized and practiced, but which are rejected by liberalism. Liberalism, that is, represented a genuine new beginning, a radical rethinking of how people should and should not live together.

More precisely, liberalism, as a conception of political economy, arose historically as a protest against working class poverty and misery, which had been the customary reality as far back as memory could reach. And the leader of this protest was none other than Adam Smith, together with John Locke and James Madison and many others too numerous to mention. I imagine that most people would read this last sentence as evidence of my pervasive ignorance, for when most people hear the name of Adam Smith, they immediately think of *laissez-faire*, since most of us are taught that Smith was the saintly prophet of *laissez-faire*, preaching the gospel of "no government intervention in the economy." Of course, most of these people have not read anything written by Adam Smith, least of all the text of *The Wealth of Nations*, alleged to be the bible of *laissez-faire* even though the term "*laissez-faire*" appears nowhere in the text itself. To most people, the Adam Smith they think they know is entirely imaginary. The truth may be found in the following words of Noam Chomsky, in response to an interviewer who believed that Chomsky must have performed very comprehensive research:

I didn't do any research at all on Smith. I just read him. There's no research. Just read it. He's pre-capitalist, a figure of the Enlightenment. What we would call capitalism he despised. People read snippets of Adam Smith, the few phrases they teach in school. Everybody reads the first paragraph of *The Wealth of Nations* where he talks about how wonderful the division of labor is. But not many people get to the point hundreds of pages later, where he says that division of labor will destroy human beings and turn people into creatures as stupid and ignorant as it is possible for a human being to be. And therefore, in any civilized society the government is going to have to

take some measures to prevent division of labor from proceeding to its limits.⁷⁶

Invoking the rhetoric of laissez-faire has long been associated with a demand for "no government intervention in the economy," or "leave-it-alone," where "it" refers to the political and economic arrangements that benefit the rich and impoverish the laboring poor. Invoking the rhetoric of laissez-faire is intended to prevent the state from coercively redistributing wealth and income by transferring wealth and income from the few to the many. Simply put, invoking the rhetoric of laissez-faire means protect the interests of the rich from political power intended to promote greater wealth and income equality. As we shall discover, the aims of an oligarchic ruling class do not object to patterns of state intervention that promote the rights and interests of the rich, such as the legal prohibition against working class combinations (labor unions). In other words, we are dealing with class divisions and class conflicts between rich and poor, oligarchy and democracy, in which laissez-faire rhetoric is intended to protect the rights and interests of the rich to the disadvantage of the rights and interests of the poor. As I have stated above and repeat now, we are dealing with a subterfuge, that is, ***"a fraudulent form of speech intended to deceive by presenting as true what is actually and knowingly false."***⁷⁷ Why false? Because the effectiveness of invoking rhetoric of laissez-faire presupposes "the subterfuge of naturalization," the latter providing the reason there can be, not should be, no government intervention in an economy that operates beyond human control. While it is the subterfuge of laissez-faire that cautions against the perils of state intervention, ostensibly because such intervention means that the economy cannot operate as it is intended to operate. The naturalization of a free market economy exposes the rhetoric of laissez-faire as fraudulent, because it is absurd to naturalize the economy and at the same time fear government intervention in the economy because this is humanly impossible, which, paradoxically, is the same rationale that underscores the assertion that "nature can never be unjust."

Historically, the rhetoric of laissez-faire is invoked, first against liberalism, then democracy, and then against Marxism, which all share the common feature of promoting an egalitarian ideological agenda that would, if implemented, destroy the inegalitarian agenda connected with oligarchic political arrangements. The issues we are addressing take place within a political context in which the few are rich and the many are poor. The

rhetoric of nonintervention is just that, rhetoric, which is never translated into reality. A major purpose of this study is to explain why there is no liberalism that proposes to prohibit state regulation of the economy as is essential to laissez-faire ideology. At all times, liberal political theorists endorsed the right of the state to regulate economic activity, with the basic proviso that there is to be no absolute state regulation of the economy. Why liberalism? Because liberalism represents an ideological agenda irreconcilable with oligarchic politics. How and why? Pay attention to the following words from John Locke's *Two Treatises of Government*:

*Though the earth, and all inferior creatures, be common to all men, yet every man has a property in his own person: this no body has any right to but himself. The labour of his body, and the work of his hands, we may say, are properly his. Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state nature hath placed it in, it hath by this labour something annexed to it, that excludes the common right of other men: for this labour being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good, left in common for others.*⁷⁸

This is the humanization of labor, which forms the basis for Adam Smith's protest against the actual treatment of labor and laborers, which violates the human rights of the laboring masses. *Smith* declares, in *An Inquiry into the Nature and Causes of the Wealth of Nations*, that **"the property which every man has in his own labour, as it is the original foundation of all other property, so it is the sacred and inviolable."** Locke and Smith are political thinkers whose thoughts on politics have ultimately come to be characterized as **liberalism**. If so, it follows logically that liberalism has a great deal to say about the rightful or wrongful treatment of labor and laborers. Throughout this study, I shall describe the sentiments on display in Locke's statement as **"the humanization of labor"** because Locke identifies labor and laborers as human beings, that is, as owners of themselves, their minds and their bodies, as owners of what is produced by "the labour of his body, and the work of his hands." More specifically, if a laborer "has a property in his own person.," The gist of what Locke writes is that laborers

are not slaves but human beings. A man who owns his own body is a man who is not the property of another, that is, not a slave. A laborer is the owner of his labor and the owner of what is produced by a man's labor. Simply put, a laborer is not a slave, not the property of another, but a fully human being, which means that laborers as human beings are bearers of the rights that, according to Locke, are a distinct component of what it means to be human.

What we have to understand is that by humanizing labor and laborers, Locke puts forward a notion that was authentically revolutionary, a radical departure from the known human past. Throughout this study, I shall characterize this notion as *the humanization of labor*, the point of view that laborers are human beings, which is a direct challenge to the age-old belief that those who engage in productive labor are not human beings. To labor is to be disqualified from human status. Human beings do not labor. Which accounts for the theory and practice of slavery, the slave performing the labor that human beings are forbidden to perform. In an awkward sort of way, we can say that if there were no slaves, there would be no human beings because human status is conferred on a select group of men who, by virtue of owning slaves, have become *exempt from labor*, thereby conferring human status on themselves. The premise that laborers are human beings is completely at odds with the Aristotelian claim that slaves lack human natures, which is confirmed by Aristotle by the fact that if you are a slave, you are not human, but subhuman beasts of burden whose lack of humanity sanctions the right of masters to enslave laborers because they are not human being, while at the same time, it is the ownership of slaves that confers human status on the master.⁷⁹

At its core, slavery is, in its purest form, not a matter that can be understood solely in materialistic terms, not something always practiced to enrich the master and impoverish the slave. Slavery is all about the humanization of those who do not have to labor precisely because they are slave-owners, because they have total command of the labor power of the enslaved. We are assured by Aristotle that slavery is natural, expedient, and right, because the class of sub-human inferiors were put on earth to enable a few men to become human beings because, by owning slaves, the masters become *exempt from labor*, thereby becoming humanized precisely because they have become "exempt from labor," whereas the right of the few to enslave the many is derived from the presumption that slaves lack human natures and are thus more akin to beasts of burden than to free human beings. What we learn from Aristotle on slavery is that the conception of slaves as sub-human is imposed on the enslaved by their enslavers, the

masters, which, for the purposes of this study, suggests rather clearly that that we may call "the dehumanization of laborers" is a necessary condition for the humanization of the masters.⁸⁰

It is a fact that for a large portion of human life on earth, those men who performed productive labor, whose labor produced food, clothing, and shelter, did not count as human beings, because the labor performed by the laborer was considered to be beneath the dignity of a human being. To labor was to be excluded from human status. Accordingly, in order for a man to be regarded as a human person, he had to be *exempt from labor*, and the way a man becomes exempt from labor is by means of the ownership of slaves, who perform the labor required for the comfort and well-being of a minority of men known as *masters*. The essential qualification for the right to be considered fully human was also the qualification for the status of citizen, so that being *exempt from labor* was the foundation of civic life for as far back as memory could reach. To read Locke's account of why those who labor are human beings rather than slaves is to encounter the essential moral premise of liberalism, namely, that those who labor are human beings with human rights. If, as in pre-modern human experience, to be human and to enjoy the rights of human beings, a man had to be or become *exempt from labor*, what liberals do, following Locke, is to humanize those who labor so that laborers qualify as human beings without being exempt from labor. To those who believed in the customary exclusion of laborers from human status, Locke's humanizing of labor and laborers could only appear as heresy or worse, the violation of a taboo that requires the exclusion of labor from human status in order to preserve the sacredness of the public realm that, as a public space, preserves its sacredness by excluding those who are spiritually defiled by performing the labor of the body and the work of the hands.

Let us now direct our attention to the writings of Hannah Arendt and Friedrich Nietzsche, both of whom deplore modernity because of its humanization of labor, for them a pure original sin. According to Arendt, in her book *The Human Condition*, liberalism is the original sin of modernity precisely because liberalism represents "*the glorification of labor*," whereas she defends the moral premise of the way of life based on "*contempt for labor*," the fundamental ethical premise of the classical Greek way of life that Arendt offers as a morally superior alternative to liberal modernity.⁸¹ What Arendt refers to as "the glorification of labor" is her way of informing us that she thinks that "nothing could be worse" than to believe that laborers are human beings.

Arendt informs us that those who labor belong to a non-human or sub-human species called *animal laborans*, the laboring *animal*, not the laboring human being.⁸² Of course, Arendt's *animal laborans* is a euphemism for the term "slave." Here is Arendt's reasoning:

What all Greek philosophers . . . took for granted is that freedom is exclusively located in the political realm, that necessity is primarily a prepolitical phenomenon, characteristic of the private household organization, and that force and violence are justified in this sphere because they are the only means to master necessity—for instance, by ruling over slaves—and to become free. Because all human beings are subject to necessity, they are entitled to violence towards others; violence is the prepolitical act of liberating oneself from the necessity of life for the freedom of world.⁸³

Arendt is explaining why the Greek practice of enslaving men and women was the absolute precondition for the existence of freedom in this world. No slavery, no freedom.

But let us give credit where credit is due. The actual source of Arendt's antiliberalism is Friedrich Nietzsche:

We moderns have an advantage over the Greeks in two ideas, which are given as it were as a compensation to a world behaving thoroughly slavishly and yet at the same time eschewing the word 'slave': we talk of 'the dignity of man' and of 'the dignity of labour' . . . we believe in the 'Dignity of man' and the 'Dignity of labour' . . . Such phantoms as the dignity of man, the dignity of labour, are the products of slavery hiding from itself.⁸⁴

Nietzsche sets out to defend the classical Greek world against the modern era, which he identifies with beliefs in "the dignity of man," "the dignity of labour," and "the equal rights of all," which Nietzsche condemns as "slavery hiding from itself," which he characterizes as "the slave revolt in morals," the whining of slaves who long to be masters. But more importantly, anyone who wishes to understand the meaning of liberalism should pay close attention to Nietzsche's attack on liberalism because Nietzsche is right about everything he attributes to liberalism. For, as Nietzsche explains:

*The Greeks did not require such conceptual hallucination, for among them the idea that labour is a disgrace is expressed with startling frankness . . . the feelings which the Greeks had with regard to labour and slavery . . . were considered by them as a necessary disgrace, of which one feels ashamed, as a disgrace and as a necessity at the same time.*⁸⁵

In Nietzsche's frame of reference, liberalism is to be condemned for not regarding labor as a disgrace, for not understanding that labor is such an inferior activity that it can only be performed by slaves, by creatures that lack human natures, and alas, the modern age seems to have forgotten this sense that "labour is a disgrace." The logical conclusion to this contemptuous understanding of labor is the fact that in order to be free, to be a citizen, and, above all, to be human, one had to be a man who possessed sufficient wealth to be *exempt from labor*. And yes, a man became exempt from labor by enslaving others, by means of violence, to perform the productive labor necessary to the well-being and comfort of the masters. If exemption from labor alone confers the status of human being on a man, then it follows logically that slaves, and all other engaged in the performance of productive labor and reproductive labor, as well, could not be human, and so they were not treated as humans in the classical Greek polis.

The modern age is, to Nietzsche and Arendt, a truly pitiful disgrace—"In modern times it is not the art-needing man *but the slave* who determines the general conceptions such as 'the dignity of labour' . . . we must accept this cruel sounding truth that *slavery is the essence of Culture*."⁸⁶ Modernity is "slave ethics," the rule of slaves who pretend to be equal to their masters. The sin of liberalism, the political theory of this slavish modernity, is the humanization of labor and the abolition of slavery in a civilization without slaves or masters. Liberalism is the antithesis of the pre-modern ways of life, glorifying labor and laborers" rather than expressing "contempt for labor" without establishing "exemption from labor" as the foundation of what it means to be human, to be a citizen, and to be a free man. In the contrast between past and present, the pre-modern and the modern, we have the distinction between the better and the worse, the superior and the inferior. It is true that liberalism insists on the abolition of slavery, for enslavement is in the liberal tradition the paradigm of that worst of all evils, the exercise of absolute power and control. What I am establishing is a brute fact, namely, that the only way to truly understand the full and complete meaning of liberalism is to understand what it is that

liberalism repudiated when it entered this world, which is the way of life praised by Nietzsche and by Arendt:

It is surprising at first glance, however, that the modern age—with its reversal of all traditions, the traditional rank of action and contemplation no less than the traditional hierarchy within the *vita activa* itself, with its glorification of labor as the source of all values and its elevation of the *animal laborans* to the position traditionally held by the *animal rationale*.⁸⁷

Arendt makes this point emphatically to ensure that she is not misunderstood:

*And it is true that the use of the word 'animal' in the concept of animal laborans, as distinguished from the very questionable use of the same word in the term animal rationale, is fully justified. The animal laborans is indeed only one, at best the highest, of the animal species which populate the earth.*⁸⁸

The message? Laborers are not human beings. At best, they are "higher animals" without any of the rights of human beings. This may very well represent the best way to enter into the fundamental moral core of liberalism, for what Arendt means when she refers to "the glorification of labor" is what I characterize as "the humanization of labor," the latter something that Arendt regards as a terrible thing to behold. Here are Arendt's words:

*The sudden, spectacular rise of labor from the lowest, most despised position to the highest rank, as the most esteemed of all human activities, began when Locke discovered that labor is the source of all property. It followed its course when Adam Smith asserted that labor was the source of all wealth and found its climax in Marx's 'system of labor,' where labor became the source of all productivity and the expression of the very humanity of man.*⁸⁹

Specifically, the culprits responsible for the conversion of labor "from the lowest, most despised position to the highest rank, as the most esteemed of all human activities," are Locke, Smith, and Marx, who individually and collectively converted labor from its inferior status in

classical antiquity into *"the expression of the very humanity of man."*⁹⁰ This becomes the symbol of liberalism, and liberalism is, according to John Gray, represents *"the political theory of modernity."*⁹¹ Accordingly, liberalism, as well as modernity, represent a radical rupture with the past because of "the humanization of labor," which contradicted and negated a way of life in which the vast majority of people were excluded from human status and thereby excluded from citizenship, subhuman creatures without rights, put on earth to labor and, not incidentally, to make possible the existence of human beings who are men who, as owners of slaves, have become "exempt from labor," which is the categorical requirement of becoming human, free, and a citizen. By contrast, since the pre-modern era is identified with the belief that "labor- is a disgrace," an activity not fit to be performed by a human being, it follows logically that modernity is identified with the *humanity* of those who labor. Arendt reminds us that when Locke humanized labor and laborers, he turned the world upside down, liberating laborers from their imprisonment in the private sphere of household life, denied the right to appear in public, "hidden away in darkness and shame." the distinctive trait of modernity consists in humanizing that which had never been considered human, the activity of labor as well as those who labor, "shamefully" granted the right to appear in public precisely because they were no longer regarded as subhuman, slavish, creatures.

The important point is to acknowledge that the liberal "humanization of labor" is one of those revolutionary ideas that would become the premise of a new way of life to replace the ancient order that treated labor and laborers as subhuman. We can understand the enormous importance of "the humanization of labor" by referring to the words of Karen Armstrong, who explains: "But for an aristocrat like Gilgamesh, the only way to acquire these scarce resources was by force. *In all future agrarian states, aristocrats would be distinguished from the rest of the population by their ability to live without working.* Armstrong then cites the words of Thorstein Veblen: *"labor comes to be associated . . . with weakness and subjection.' Work, even trade, was not only 'disreputable . . . but morally impossible to the noble, freeborn man."*⁹² Specifically we know that "exemption from labor" was purchased at the price and the cost of slavery, since having slaves perform the necessary forms of productive labor was the means of conferring human status on the masters who do not labor. This is also why Locke's "humanization of labor" had such a revolutionary impact, since it called into question the moral legitimacy of a few thousand years of civilized existence, and as is obvious in Smith's *The Wealth of*

Nations, labor was no longer regarded as a disgrace, as a mark of subhuman inferiority. The historical context for the rise of liberalism is the antithesis between a way of life that conceives of labor as a "mark of inferiority," a symbol of the humanity of the masters and the subhumanity of the slaves that made "exemption from labor" possible, and a proposed way of life where, according to Smith—"The property which every man has in his own labour, as it is the original foundation of all other property, so it is the sacred and inviolable."⁹³

Arendt is perfectly correct to point out that modernity and its political philosophy, liberalism, is all about "the humanization of labor," but of equal significance is the fact that Arendt's condemns liberalism for humanizing both labor and laborers, which means that Arendt represents the moral premise of pre-modern human experience that has come under attack by liberals like Adam Smith. The revolutionary character of "the humanization of labor" can be seen in the fact that Smith characterizes the customary forms of political and economic inequality that had stood the test of time for thousands of years as "oppressive inequality" that is the result of the unjust exercise of political power. Relying on legislative interference to "keep the poor, poor" becomes, because of the commitment to the humanization of labor, a violation of the human rights of laborers, the very thing that Nietzsche regards as the defining mark of modernity. Smith's working out of the moral and practical implications of Locke's "humanization of labor" elicits from those who agree with Nietzsche the most insulting epithet they can think of—the ethics of slave morals—which is a symbol of the "master morality" liberal moralists repudiated. To those who identify themselves with master morality, nothing could be worse than the proposed spiritual degradation of a polity in which slaves had become the equals of their masters. In a Nietzschean sense, the elevation of laborers to the rights of citizenship represents the spiritual defilement of the polity, since the rights of citizenship could only be exercised by men who had become "exempt from labor."

Most of us, of course, do not think that the most essential quality of political life is determining who is human and who is not human, i.e., subhuman is an essential feature of human political life. Yet it is a matter of fact, strange as it might seem, that the division of a society into those who are human and those who are subhuman also becomes the essential qualification for citizenship, and the right to participate in the rights of citizenship. In other words, in order to participate in the exercise of political power, a person must be a human being, which means that those who are

excluded from the right to participate in the exercise of political power are excluded because they are not human beings. More specifically, for most of human existence it has been true that to perform "the labor of our bodies and hands" has been a disqualification for participation in political life. What we find in liberalism and in the political thinking of Adam Smith, is a direct and emphatic attempt to establish a way of life not based on the exclusion of those who labor from being human, from the right to be a citizen, as well as the right to be a bearer of human rights.

The humanization of labor, as proposed by Locke and Smith and other liberal political thinkers, was a revolutionary threat to a status quo that had always excluded laborers from human status. Adam Smith's thinking on the subject of political economy presupposes the fully human status of those who labor or, in other words, Smith proposes a new starting point for a new way of life no longer based on "exemption from labor." Accordingly, we must always bear in mind the fact that the fundamental premise of this new way of life was the equal human status of all subjects, including those who labor, as required by the humanization of labor. This means that the liberal humanization of labor represents the rejection of the following proposition:

In a free nation where slaves are not allowed of, the surest wealth consists in a multitude of laborious poor; for besides that they are the never failing nursery of fleets and armies To make the society happy and people easy under the meanest circumstances, it is requisite that great numbers of them should be ignorant as well as poor.⁹⁴

A political economy that requires the poverty and misery of the working classes is a political economy that does not consider laborers to be human, because from the perspective of the humanization of labor, the only way to preserve the political and economic status quo was to prevent workers from the exercise of political power, which workers would undoubtedly move to liberate themselves from poverty and misery.

More precisely, the struggle between the rich and the poor, those who do not labor and those who do labor, is a struggle between a ruling class whose wealth, privileges, and power, depends on "keeping the poor, poor" and excluding them from the exercise of political power, and the laboring majority that lives and works in poverty and misery. Hence the advice from Mandeville: ***"To make the society happy and people easy under the meanest circumstances, it is requisite that great numbers of them should be ignorant as well as poor."*** In other words, to Mandeville, the happiness and well-

being of the laboring majority does not count. In such a context, what is the laboring majority to do in order to share equal human status with the existing ruling class? The members of the ruling class knew full well that the laboring majority will seek "to conquer political power" as a confirmation of their humanity. From the perspective of the ruling class, the humanization of labor was a threat to the existence of a way of life that had existed for hundreds and hundreds of years, a way of life devoted to enriching the few and impoverishing the many. Eventually, the humanization of labor became an essential feature of the political thinking that came to be known as liberalism, with its acknowledgement of the humanity of those who labor and their right to be bearers of human rights, that is, the human right not to be poor and miserable.

The fundamental purpose of liberalism is to articulate a conception of a fully human life that includes those who labor as fully human beings. It is intelligible to interpret what it means to be treated as a fully human being in terms of the liberal theory of natural rights or human rights. To be human is to be a bearer of human rights, and among these human rights is the human right of those who labor "to be themselves tolerably well fed, cloathed and lodged." Accordingly, this rules out Mandeville's premise that the laboring population "should be ignorant as well as poor" because, according to an eighteenth century British economist named Arthur Young: "*Everyone but an idiot knows that the lower classes must be **kept poor**, or they will never be industrious.*"⁹⁵ The longstanding practice of human history was identified with the judgment that "poverty is the natural fate of labor." But this is the precise pattern of belief that is challenged and repudiated by Adam Smith, with Smith arguing that a commitment to organizing a laboring population that is permanently poor and miserable violates the human rights of workers who have the human right "to be themselves tolerably well fed, cloathed and lodged." More importantly, in Adam Smith's *The Wealth of Nations*, what is conspicuously absent is a commitment to laissez-faire as the means of increasing national wealth, something that is also true in the writings of Locke, Madison, and other major thinkers whose writings make up the original corpus of liberal political thought.

In fact, the worst way to understand liberalism is to identify liberalism with laissez-faire. Why? Because a laissez-faire solution to the political and economic issues of the time is not to be found in the writings of Locke, Smith, and Madison. But the major focus of my attention is directed at explaining why Adam Smith does not propose a laissez-faire solution to

the issue of how to increase the wealth of a nation. This will involve explaining how Smith works out the liberal implications of "the humanization of labor." I begin by pointing out that the first sentence in the text of *The Wealth of Nation* mentions "the productive powers of labour", which turns out to represent the meaning of wealth itself, wealth being "the productive powers of labour." Logically, then, to increase the wealth of a nation requires increasing "the productive powers of labour." At this point, Smith explains that the best way to increase "the productive powers of labour" is to promote "the liberal reward of labor," which means *higher wages*.⁹⁶

The significance of Smith's explanation that since wealth means "the productive powers of labour", the best way to increase wealth is to make it possible for workers of all kinds to earn "higher wages." In this respect, we must interpret the significance of Smith's proposal for higher wages in the immediate historical context of Mandeville's prescription for lower wages and working class poverty and misery. The basic premise of Smith's doctrine of a political economy dedicated to increasing national wealth is that low wages *decrease* the productive powers of labor. When the rich rely on political power to lower wages and impoverish workers, they obstruct rather than facilitate increased national wealth. That is, the fact that the rich create workers who are poor and miserable is, from the perspective of Smith's conception of political economy, unwise, foolish, because it promotes a policy that, according to Smith, must result in *decreasing* national wealth because the wealth of a nation is measured by "the productive powers of labour," and working class poverty, a matter of low wages, is inconsistent with a policy capable of increasing national wealth. Smith informs us that increasing national wealth requires "the liberal reward of labour," that is, *higher wages*:

Smith's point is elegantly simple: Higher wages are the key to *increasing* national wealth. Low wages are the means to decreasing national wealth. Yet in eighteenth century England, the rich consider low wages to be in their best interest, since lower wages means higher profit. But from the perspective of the public interest regarding the policy best calculated to increase the wealth of the nation, existing state policy is incompatible with increasing national wealth. The rich frequently believe, incorrectly, according to Smith, that what enriches the rich is always in the national interest, but as concerns increasing national wealth and prosperity, the lowering of wages encouraged by the rich is a most unwise policy. We can draw the following conclusion from Smith's reasoning: The *illiberal reward*

of labor, which encourages lower wages and working class poverty and misery, is a policy calculated to decrease national wealth and prosperity. Accordingly, Smith proposes *the liberal reward of labour* as the policy that will promote increased national wealth: The crucial point is expressed by Gertrude Himmelfarb: "*While Smith was not the first to question the expediency or desirability of low wages, he was the first to offer a systematic, comprehensive rationale for high wages.*"⁹⁷ As Himmelfarb explains: "*The consensus at the time was that low wages were both natural and economically necessary: natural because the poor would not work except out of dire need, and necessary if the nation were to enjoy a favorable balance of trade.*"⁹⁸

Once again, the words of Arendt deserve to be repeated:

*The sudden, spectacular rise of labor, from the lowest, most despised position to the highest rank, as the most esteemed of all human activities, began when Locke discovered that labor is the source of all property. It followed its course when Adam Smith asserted that labor was the source of all wealth and found its climax in Marx's 'system of labor,' where labor became the source of all productivity and the expression of the very humanity of man.*⁹⁹

Arendt's words capture the assault on the past initiated by Locke and Smith, a past in which labor represented "the lowest, most despised position," a past that identified being human with "exemption from labor." Contrast this with Arendt's claim that in modernity, labor became "the very humanity of man," "the most esteemed of all human activities." The liberal "humanization of labor" represented the repudiation of a past that regarded laborers as subhuman. But when Smith was writing *The Wealth of Nations*, reality continued as it had seemingly forever. There can be no doubt that the liberal "humanization of labor" provoked intense fear and loathing among ruling classes whose wealth and power was constructed on denying the humanity of those who labor. To propose "the humanization of labor" in a world based on "contempt for labor" was nothing less than revolutionary, a fact that would soon be translated from theory into practice, most significantly in the French Revolution.

One way to measure the radicalism of Smith's commitment to "*the humanization of labor*" is to understand the impact it had on those who were beneficiaries of the rights and privileges of a way of life based on "contempt for labor" and "exemption from labor. Put another way, Smith is writing

within an essentially oligarchic polity in which the few, the rich, exercise absolute power over the many, the laboring poor. What we are going to discover is that Smith opposes the idea that those who labor must be kept poor and miserable, setting up a framework for a future that will involve, unavoidably so, a class conflict between rich and poor, the few and the many, those who labor and those who do not labor. Substantively, Smith proposes a political economy in which workers will be liberated from poverty and misery, which is the premise and the objective of the humanization of labor. At all times, liberal political thinkers understand that the central issue is the fact that workers require political power in order to fulfill the objectives of the humanization of labor, and that this will be opposed vehemently by the members of a ruling class that wishes to preserve and protect a way of life based on "contempt for labor" and "exemption from labor," as well as a commitment to the necessity of working class poverty and misery.

The vision of an Adam Smith seeking to liberate workers from poverty and misery is the primary reason why it is intelligible to consider Smith an ideological forerunner of Marx, or even a model that influenced Marx's own efforts to liberate workers from exploitation and oppression. This does not mean that Smith was a Marxist, although I think that Iain Mclean author of *Adam Smith, Radical And Egalitarian: An Interpretation for the 21st century*¹⁰⁰ gets it right when he states, "that a socialist, even Marxian, reading of Smith is by no means absurd," or, as Mclean also states, we could characterize Smith "as a pre-Marx Marxian."¹⁰¹ This is because Smith and Marx had a common aim that involved liberating workers from poverty and misery. Moreover, to any competent reader of *The Wealth of Nations*, Smith does not formulate and endorse a laissez-faire conception of political economy. Nevertheless, the belief that Smith commits himself to a laissez-faire policy is both longstanding and widespread.

But the plain and decisive fact is that the vision of free markets having a natural immunity to injustice is false. However, we do learn from Hayek and Buchanan that the naturalization of free market transactions and outcomes provides a significant means of explaining why the distribution of income in a free market cannot be unjust. Just say it, without adding that it is untrue, and let people find this out or not. The objective is not to tell the truth, but to persuade people to believe that something is true that is knowingly false. A very long time ago we learned from Plato that the aim of the rhetorician is not to tell the truth but to manipulate beliefs. What I have learned from Hayek and Buchanan is that it is possible to invoke the rhetoric

of laissez-faire, in the form of the naturalization of free markets, and to do so for the purpose of persuading people to believe that working class poverty and misery is not unjust or oppressive when it results from the natural order of free markets, even though they know that what they present as true is, in fact, false.

The simplest and most accurate way to understand why liberalism and laissez-faire are antithetical is to understand that laissez-faire is a position that defends the rights and interests of the rich, whereas liberalism defends the rights and interests of "the laboring poor."

Laissez faire, however, opposes any re-distribution of wealth by the government, and therefore gives a distinct advantage to middle and upper class people who are wealthy. In fact, by opposing any government intervention in the economy, the laissez faire ideology assures the security of the wealthy and justifies the unwillingness of the wealthy to share their wealth.¹⁰²

The critically important point consists in the fact that laissez-faire is a policy adopted by the rich to defend their own wealth and property from liberal-inspired efforts to redistribute wealth and income by transferring wealth from rich to poor, based on the claim that the wealth and property of the rich was the consequence of the unjust exercise of political power. The fundamental position of liberalism is that the distribution of wealth in a market economy is determined politically, not naturally, whereas the naturalization of mass poverty and misery, i.e., an economy without human coercion, represents the position defended by the rich.¹⁰³

What Smiles exposes to the light of public scrutiny is the fact the rhetoric of laissez-faire, identified with opposition to government interference in the economy, is a rather elaborate subterfuge designed to deflect attention away from the fact that the theory of laissez-faire is, in practice, not a universal prohibition against political interference in the economy, but instead is a deliberate form of coercive interference intended to prevent the state-sponsored transfer of wealth from the few to the many, the rich to the poor. The rhetoric of nonintervention is the specific means by which the rich, and the public intellectuals whose task is to promote the interests of the rich, attempt to influence the making of public policy so that all efforts of the laboring poor to liberate themselves from the misery and suffering associated with mass poverty will fail, the result being the protection and preservation of the wealth and property of the rich.

Think of the subterfuge of laissez-faire in the following way. Those who, like Hayek, invoke the rhetoric of laissez-faire do so in opposition to Marxist egalitarianism, the fear that if it is legitimate to think in terms of free market outcomes as just or unjust, then left-wing critics of capitalist economic inequalities can claim that widespread income inequalities that enrich the few and impoverish the many are the result of the unjust exercise of political power, the remedy for which is the coercive redistribution of wealth by a government dedicated to social justice. But if free markets are natural orders that can never be unjust because "nobody is to blame," then there is no injustice to be remedied by income redistribution. But we now can understand much more emphatically that the purpose of invoking the rhetoric of laissez-faire is to make it possible to argue that **"the naturalness of the market depoliticizes the distributional outcomes."**¹⁰⁴ To depoliticize the market by means of laissez-faire rhetoric is to remove the possibility of injustice from market outcomes, so that the fact that the rich continue to get richer and the poor continue to get poorer, cannot be unjust ostensibly because the distribution of wealth and incomes are determined by nature, not political power. And nature is an impersonal sphere of life in which nobody rules. In Smiles' terms, the rule of nature (nobody), has the following meaning: **"Let wretchedness do its work; do not interfere with death."**¹⁰⁵

Essentially, this is what we learn from Buchanan, who wants to set up a conception of capitalism to rival the allure of Marxism, and he finds this allure in the way Hayek imagines a capitalist political economy that lives and works exclusively as a fact of nature, an economy in which "coercion has been drained out" because Nature rules impersonally in the absence of human coercion.¹⁰⁶ If Marxism blames the rich for creating a capitalist economy based on working class poverty and misery, what capitalism requires is a justification that exonerates the rich of any responsibility for working class poverty. This what the myth of the naturalization of free markets is intended to provide, doing so by claiming that in a free market, "coercion is drained out," does not exist, for the real "villain" of capitalism is nature. The appeal to nature that we are concerned with involves the claim that under the conditions of a capitalist market economy, working class poverty and misery are unjust. If someone like Hayek is right, then the fact that the few are rich and the many are poor is not an instance of injustice because the distribution of wealth and income is determined "by nature," not by human power. In this regard, Hayek's "naturalization" of the distribution of wealth means that it is impossible for the poor to claim that poverty is unjust because it is

determined by the political power of the rich, since the counter-argument is that poverty is caused by nature and therefore can never be unjust.

More specifically, the actual historical context in which this dispute arises is first, as a reaction to the French Revolution, and then as a response to the Marxist critique of capitalism as a political economy deliberately based on working class poverty and misery, so that Marx concluded that working class poverty was unjust and oppressive. The naturalization of working class poverty is a response to those who, like Marx, consider the prevailing inequalities in the distribution of wealth to be unjust, because such economic inequalities are the byproduct of the oppressive exercise of political power, which is humanly impossible because nature can never be unjust. The naturalization of free markets is a response to those who claim that the wealth of the few and the poverty of the many are unjust, and that this injustice is to be remedied by the coercive redistribution (confiscation) of wealth from the rich to the poor until the ultimate objective is reached, in the words of von Mises, "*the equal distribution of all wealth.*"¹⁰⁷

Now the important point to be understood is the fact that many of the criticisms of Marx can also be made against Adam Smith because Smith's theory of political economy is a response to a pattern of oppression that is the consequence of the political power of the few and the political powerlessness of the many. The naturalization of working class poverty is intended to refute the claim that the wealth of the few and the poverty of the many is the result of the exercise of political power by the rich against the poor, for as we have been seeing, the defense of widespread inequalities in the distribution of wealth takes the form of attributing mass poverty to nature, which is supposed to negate all claims that workers are poor and miserable because they lack political power. Once poverty and misery are attributed to nature, there can no longer be any defense of the use of the coercive powers of the state to promote policies intended to redistribute wealth in order to compensate workers for the fact that they are victims of injustice. Invoking the rhetoric of laissez-faire represents the denial that workers are poor because they are victim of injustice

To read the writings of von Mises, Hayek, and Friedman, is to encounter the denial that liberalism is compatible with the belief that workers are the victims of injustice because working class poverty is the direct result of the coercive power of government. If the rich are rich and the poor are poor because this is determined by impersonal laws of nature that are immune to injustice, then there can be no rationale for egalitarian redistribution of wealth because there is no injustice to be remedied "by

taking from the rich to give to the poor. But as I have pointed out, it is an undeniable fact that the naturalization of poverty is not restricted to a critique of Marxism, because claims about the injustice of poverty and misery and the demand for a more egalitarian distribution of wealth do not apply solely to Marxism, because before Marxism, liberalism was the source of the claim that workers were victims of injustice and oppression. In the words of Trenchard and Gordon:

"A free people are kept so by no other means than an equal Distribution of Property; every Man who has a Share of Property having a proportionable Share of Power; and the first Seeds of Anarchy, which for the most part ends in Tyranny, are produced from hence, that some are ungovernably rich, and many more are miserably poor; that is some are Masters of all Means of Oppression, and others want all the Means of Self-Defence."¹⁰⁸

I bring this to our attention because it demonstrates quite clearly that liberalism involves a preference in the direction of "an equal Distribution of Property" as a remedy for the ruthless exploitation of the poor by the rich. In the words of Joseph Priestley:

*The generality of governments have hitherto been little more than a combination of the few, against the many; and to the mean passions and low cunning of these few, have the great interests of mankind been too long sacrificed. Whole nations have been deluged with blood, and every source of future prosperity has been drained, to gratify the caprices of some of the most despicable, or the most execrable, of the human species. For what else have been the generality of kings, their ministers of state, or their mistresses, to whose wills whole kingdoms have been subject?*¹⁰⁹

But Priestley's words are words very much influenced by Adam Smith, who had previously declared: "*Laws and government may be considered in this and indeed in every case as a combination of the rich to oppress the poor.*"¹¹⁰ Smith also conveys the same sentiment in *The Wealth of Nations*:

"Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an

***inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of their own labour as to be themselves tolerably well fed, cloathed and lodged."*¹¹**

In each of the above statements, the poverty and misery of the working classes are portrayed as unjust and oppressive. There can be little doubt that the claims on display in the above statements represented a reaction to the stark reality of a society in which the rich exercised absolute power and control over the poor. Ultimately, the moral premises of liberalism, with its protest against mass poverty and misery, served as a major catalyst for the events that led eventually to the French Revolution as a rebellion against the conditions that gave rise to working class poverty and misery. While I shall devote greater attention to this matter below, it is relevant to bring these assertions that working class poverty and misery are unjust and oppressive because it was these sentiments, in conjunction with the French Revolution, that explains why the rhetoric of laissez-faire was invoked in criticism of the claim that working class poverty and misery are unjust and oppression, for the aim of laissez-faire rhetoric is to naturalize poverty and misery and in this way conclude that poverty and misery cannot be unjust or oppressive because they are natural, not political. The reliance on the naturalization of lower class poverty and misery as a source of opposition to the moral premises and principles that helped produce the French Revolution as a rebellion against the dehumanization that had been the experience of the lower classes, and dehumanization is an appropriate term because the laboring masses had been treated as if they were not real human beings. Remember, exclusion from the rights of citizenship is exclusion from human status.

The crucial point is that in *The Wealth of Nations*, the case for the protest and rebellion of workers as victims of injustice and oppression pervades the text. More specifically, Smith does not naturalize mass poverty by endorsing the laissez-faire denial that workers were victims of injustice. This is why I claim that liberalism does not involve the embrace of laissez-faire, for laissez-faire was the language of opposition to the liberal principles articulated and defended by Adam Smith. In other words, laissez-faire is properly classified as ant liberal. To understand why this is so, let us examine the following statement:

David Ricardo (1772-1823) was one of the foremost economic theorists of the early nineteenth century. His ideas about free enterprise and wage control were used by the industrial capitalists of Britain who wanted to produce as much profit as possible at the least possible cost. Together with Adam Smith, whose book *The Wealth of Nations* (1776) laid the foundations of the capitalist doctrine of laissez-faire, and Thomas Malthus (1766-1834), who employed statistics in developing a theory of world population explosion, Ricardo was one of the principal economic theorists used by industrialists in reaction to calls for reform of working conditions in Britain. Ricardo's theory, which eventually became known as the 'Iron Law of Wages', maintained that the wages of labourers should be kept at the lowest possible level because their high rate of reproduction ensured a surplus supply of labour.¹¹²

In the above statement, Adam Smith, David Ricardo, and Thomas Malthus, are identified as practitioners and theoreticians "of the capitalist doctrine of *laissez-faire*" the purpose of which was "to produce as much profit as possible at the least possible cost," which required "that the wages of labourers should be kept at the lowest possible level" in order to maximize profits. The author also stipulates that Adam Smith's "book *The Wealth of Nations* (1776) laid the foundations of the capitalist doctrine of *laissez-faire*,"¹¹³ the very doctrine that was intended to increase profits and lower wages. Now there is no room for doubt that this statement accurately depicts the views of Malthus and Ricardo, but they do not accurately represent the views of Adam Smith, as expressed in *The Wealth of Nations*, even though most people, both scholars and non-scholars alike, believe that Smith shared the same point of view in common with Malthus and Ricardo:

*Liberalism acquired its views on the state and society largely from two schools: the classical economists and the philosophic radicals. David Ricardo's 'natural laws,' along with the corollary theses of Adam Smith and Thomas Malthus, justified and sanctioned the practices of the new factory capitalists who saw in the iron law of wages and escape from the encumbering and obsolete laws of a preindustrial society and a justification for subsistence wages. Neither laborer nor government should tamper with these immutable economic laws, not even to relieve miseries, declared Ricardo.*¹¹⁴

In this statement, Adam Smith is inaccurately presented as having the same views as Malthus and Ricardo regarding the wages of laborers, which provided "a justification for subsistence wages." However, while it is true that Malthus and Ricardo favor low wages and working class poverty, this is not true of Adam Smith. Nowhere in the text of Smith's *The Wealth of Nations* does Smith advocate a policy intended to lower the wages of labor to the cost of subsistence. However, the author correctly points out the connection between "the capitalist doctrine of *laissez-faire*" and the lowering of wages to subsistence income, as advocated by Malthus and Ricardo, but not by Adam Smith. In reality, Smith was a proponent of higher wages, because this provided workers with the incentive to increase productivity, and Smith identified wealth with "the productive powers of labour." But when we are dealing with the rhetoric of *laissez-faire*, we are dealing with "a justification for subsistence wages," the latter the purpose of invoking "the capitalist doctrine of *laissez-faire*." But Smith is not among those who invoke *laissez-faire* rhetoric in order to promote low wages.

Smith's chapter "On the Wages of Labour," is among the most important chapters in the text. Smith's positions are stated and defended in language that is difficult to misunderstand. *The Wealth of Nations* is a tutorial on the subject of *distributive justice and distributive injustice*, with Smith providing an impressive litany of the conflicting class interests that produce what Smith regards as "*injustice or oppression*." In other words, in *The Wealth of Nations*, Smith's conception of how to increase the wealth of a nation is an attack on injustices that involve the kind of conduct that promotes the rights and interests of a particular class of subjects at the expense of violating the rights and interests of another class of subjects. Smith goes on to provide us with a useful guide to his conception of justice and/or injustice:

To hurt in any degree the interest of any one order of citizens, for no other purpose but to promote that of some other, is evidently contrary to that justice and equality of treatment which the sovereign owes to all the different orders of his subjects.¹¹⁵

According to this conception of justice and injustice, the following state of affairs would qualify as an expression of injustice:

Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all.¹¹⁶

Simply put, a civil government that intentionally enriches the few and impoverishes the many is a civil government that fails to perform one of its essential duties, *"that of protecting as far as possible, every member of the society from the injustice or oppression of every other member of it,"*¹¹⁷ where "injustice or oppression" involves the exercise of political power that deliberately enriches the few and impoverishes the many.

I bring this to our attention because according to Smith's conception of justice, a civil government that administers a political economy in which the state deliberately keeps the lower [working] classes poor and miserable, is a state that violates its duty to enact and enforce laws that treat all subjects equally and impartially. This must mean that injustice or oppression occurs when a civil government follows the advice of Mandeville and Young and intentionally uses the coercive powers of government to make and keep the working classes poor and miserable. This is enormously important because *"Smith's metric of a good society is how the least among the working class are doing"*¹¹⁸ At the time that Smith is writing *The Wealth of Nations*, the working classes in Great Britain were, in the words of Samuel Smiles, poor, miserable, and wretched. In fact, Smith informs us that workers are treated horribly, that their lot in life has thus far been one of pervasive and longstanding poverty and misery.

After all, Smith explains: *"Laws and government may be considered in this and indeed in every case as a combination of the rich to oppress the poor, and to preserve to themselves the inequality of the goods which would otherwise be soon destroyed by the attacks of the poor."*¹¹⁹

Now a government that represents "a combination of the rich to oppress the poor" reflects longstanding custom and tradition. But Smith had explained:

*"Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of their own labour as to be themselves tolerably well fed, cloathed and lodged."*¹²⁰

In this statement we have the essential the moral premise of liberalism, as we can see in the words of Joseph Priestley that accurately reflect the sentiments of Adam Smith

*The generality of governments have hitherto been little more than a combination of the few, against the many; and to the mean passions and low cunning of these few, have the great interests of mankind been too long sacrificed. Whole nations have been deluged with blood, and every source of future prosperity has been drained, to gratify the caprices of some of the most despicable, or the most execrable, of the human species. For what else have been the generality of kings, their ministers of state, or their mistresses, to whose wills whole kingdoms have been subject?*¹²¹

But Priestley adds something of great importance: "*How glorious then, is the prospect, the reversal of all the past, which is now opening upon us, and upon the world.*"¹²² Priestley is explaining why the reform proposals put forward by Smith would require, if realized, "*the reversal of all the past,*" because "all the past" was an unbroken record "of governments [that] have hitherto been little more than a combination of *the few*, against *the many*." The point is that Adam Smith characterizes working class poverty and misery as the consequence of "*oppressive inequality.*"¹²³ In the words of Smith and Priestley, we find a direct challenge to a past that had always been organized as "*little more than a combination of the few, against the many*" or "*as a combination of the rich to oppress the poor.*" According to Smith, the fact that laborers get the least and non-laborers get the most is determined "either by violence or by the more orderly *oppression of law.*" In the context of eighteenth century England, this statement is profoundly radical, even revolutionary precisely because a government committed to the proposition that workers have the human right to "*have such a share of their own labour as to be themselves tolerably well fed, cloathed and lodged.*"¹²⁴ would require "the reversal of all the past," as was the purpose of the American and French Revolutions.

The "humanization of labor" lies at the heart of liberal egalitarianism because of the implicit premise that the denial of the humanity of those who labor is no longer acceptable because it violates the human rights of workers. This is an enormously important fact because, as we shall discover, the rhetoric of laissez-faire began to be invoked by those who feared the egalitarian implications of the liberal "humanization of

labor," because they would be forced to renounce and relinquish the practices that have contributed to the dehumanization of labor. This would mean a serious loss of status and respect for an oligarchic ruling class that foresaw the possibility of the triumph of democratic liberalism. We need only think of the impact that the humanization of labor would have in a society based on the absolute power of masters over a mass of slave laborers. To forestall such an eventuality, the rich and the powerful discovered in the rhetoric of laissez-faire an appropriate response to the radicalism of the French Revolution, in the eventuality that the forces of liberal-democratic egalitarianism might actually succeed. The rhetoric of laissez-faire was invoked by a ruling class desperately trying to prevent the triumph of the humanization of labor, doing so by invoking a rhetoric that says to the state *leave-it alone*," where the "it" refers to the domination of the many by the few. Invoking the rhetoric of laissez-faire, beginning at the end of the eighteenth century, in response to the French Revolution, was and remains a defense of privilege and inequality, protecting the wealth and property of an oligarchic ruling class.

But Smith proposed higher wages at a time when it was still common practice to rely on government "to keep the working classes poor and miserable," as recommended by Mandeville and Young. These commitments to the necessity for creating and maintaining a mass of workers living in permanent poverty and misery establishes the context that must be understood in order to understand why Smith's repudiation of this commitment is so important and so revolutionary. Rather than agree with Mandeville, Smith does not believe that in order "[t]o make the society happy and people easy under the meanest circumstances, it is requisite that great numbers of them should be ignorant as well as poor." In fact, Smith, as we soon discover, defends the opposite thesis. In his critique of mercantilism, Smith writes: "It is the industry which is carried on for the benefit of the rich and the powerful that is principally encouraged by our mercantile system. That which is carried on for the benefit of the poor and the indigent, is too often, either neglected or oppressed."¹²⁵ This is no doubt why Smith characterizes what he writes about mercantilism in *The Wealth of Nations* as a "very violent attack I had made upon the whole commercial system of Great Britain"¹²⁶

This is an important statement because we now have evidence in Smith's own words that in *The Wealth of Nations* he proposes a radical solution not only as an alternative to the mercantilist conception of commercial society, but to the entirety of past human experience that was

always based on the absolute right of the rich to exercise absolute power over the poor. In other words, Smith's *The Wealth of Nations* is a revolutionary text, a radical assault on the past as it has taken place since time immemorial. Smith proposes an entirely new conception of how workers deserve to be treated, repudiating a way of life based on the premise that workers must always be poor and miserable. Smith proposes a most revolutionary transformation of civil society, "a reversal of all the past."

To be sure, Smith regards a political economy based deliberately on working class poverty and misery to be unjust and oppressive, but it is also something else—an obstacle to increasing the wealth of a nation. Why? Because Smith measures wealth by the standard of "the productive powers of labour," and we are informed by Smith that working class poverty and misery, the result of low wages, is the cause of *decreasing* national wealth, that is, it is "economically inefficient" because it decreases rather than increases "the productive powers of labour." But Smith knows that being poor and miserable has customarily been the fate of workers throughout the ages, which is a fact that we must understand in order to be able to understand why Smith's conception of a just and productive political economy is, politically speaking, revolutionary.

Smith's proposal that workers deserved higher wages was intended as a remedy for the injustice of low wages, poverty, and misery, because Smith explains that low wages did not occur naturally, but rather were the result of the exercise of political and legislative power in a society where workers were politically powerless, where all political power and authority was controlled by the rich, the owners of property. And we have learned that Smith considers a government that promotes the rights and interests of the rich contrary to the rights and interests of the poor, is a violation of the laws of justice that require that the law be exercised impartially, without favoring one class over another. A government that favors the rich to the exclusion of the poor is violating its duty to administer and enforce the law impartially, without bias or favoritism. Smith points to a longstanding historical fact, that civil government has, for as long as memory could reach, promoted the interests of the rich against the interests of the poor, which Smith identifies with injustice because workers have the human right "to be themselves tolerably well fed, cloathed and lodged." It is the duty of a civil government to enable this to take place.

Smith offers us a clear and concise explanation of how the rich impoverish the poor. In chapter VIII "Of the Wages of Labour", Smith writes:

What are the common wages of labour, depends everywhere upon the contract usually made between two parties, whose interests are by no means the same. The workmen desire to get as much, the masters [employers] to give as little as possible. The former are disposed to combine in order to raise, the latter in order to lower the wages of labour.¹²⁷

Smith then explains:

It is not, however, difficult to foresee which of the two parties must, upon all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine much more easily; *and the law, besides, authorizes, or at least does not prohibit their combinations, while it prohibits those of the workmen. We have no acts of parliament against combining to lower the price of work; but many against combining to raise it.*¹²⁸

The wages of laborers are customarily low because it is illegal for workers to combine to raise wages, but not illegal for employers to combine to lower wages. The law prohibits workers from doing what it does not prohibit the rich from doing. This is an excellent example of "the more orderly oppression of law." Having provided us with evidence that working class poverty and misery has been facilitated by legislation that promotes the class interests of the rich against the class interests of the poor, Smith makes no attempt to conceal the fact that he believes that the means used by the rich and the powerful to prevent workers from raising wages is unjust: "*We rarely hear, it has been said, of the combinations of masters, though frequently of those of workmen. But whoever imagines, upon this account, that masters rarely combine, is as ignorant of the world as of the subject.*"¹²⁹

Moreover: "the name of Adam Smith is most commonly associated with the notion of a natural 'harmony of interests between individuals in the market, whereby 'the invisible hand' of competition turns self-regarding behaviour into aggregate social benefits, i.e., the public good."¹³⁰ But we have just addressed Smith explaining how the wages of labor are determined by the interaction between "*two parties, whose interests are by no means the same.*" Workers want higher wages and employers want lower wages. The

wages of labor remain low because the law reflects the selfish interests of the wealthy, contrary to the desire of workers for higher wages. promotes the self-interest of employers contrary to the self-interest of workers, which is a textbook example of Smith's conception of injustice. In other words, there is no natural harmony of self-interests that spontaneously and automatically promotes the good of all.

In fact, as we shall soon discover, Smith was persistently critical of and hostile to the motives and ambitions of a class of men he distrusted thoroughly—"merchants and manufacturers"—who Smith characterizes as

*"an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even too oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it."*¹³¹

Insofar as the lives of industrial workers were concerned, Smith made it abundantly clear that workers are, in his judgment, the victims of injustice perpetrated by the rich and powerful. In a work devoted to explaining how to increase the wealth of a nation, Smith focuses his attention on the obstacle that low wages presents for anyone seeking to adopt public policies intended to increase national wealth. For Smith, higher wages are an essential premise for increasing the wealth of a nation, which means that the use of the law to promote low wages is both unjust and economically foolish because it results in diminishing "the productive powers of labour."

Insofar as the French Revolution was a rebellion of the lower classes, the poor, against the rich. the many against the few, men like Burke and Malthus relied on the naturalization of markets to depict the revolution an act of madness because the division of society into the few rich and the many poor had nothing to do with the political power of the rich and the political powerlessness of the poor. Nature is nature, not politics. The fact that the few get rich and the many get poor is a natural fact of life that cannot be altered or corrected. Therefore, there is no purpose served by coercive government regulation of the economy or acts of violent rebellion.

But, the argument goes, nature is immune to coercive political influence, which is why a naturalized economy can never be unjust or oppressive. There is a total absence of human responsibility for working class poverty and misery which enables the rich to declare that no one is to blame. Accordingly, the French Revolution was totally in vain because the

conditions that the revolutionaries protested against could not be changed because these conditions are determined by nature, not political power.

Now bear this in mind. An economy governed by natural law will be an economy impervious to coercion, which means that neither liberal egalitarianism or democratic egalitarianism can have any effect upon the distribution of wealth. After all, democratic political power can have no effect on the operation of the natural laws of the economy, which is a reason not to fear the democratization of politics, because an economy governed by natural law is impervious to political power of any kind, democratic or otherwise. Legislation cannot alter the operation of the physical laws that govern the universe. Is it true to say that "attempting to raise wages by combining in trade unions" is an exercise in futility because "the wages of labour depend upon laws as unerring and as much above our coercive power as any other operations of nature?"¹³² Is trying to raise wages by trade union action equivalent to trying "to regulate the tides by force, or change the course of the season."¹³³ If so, there is nothing to fear because the reliance on trade unions to raise wages can never interfere with the natural laws that determine the wages of labor. Reliance on the rhetoric of natural law to argue against trade unionism is extremely foolish because, if true, the wages of labor would be immune to human power.

The naturalization of poverty and misery is intended to deny that the poverty and misery of workers is the result of the unjust exercise of political power, because the poverty and misery of the lower classes is not the result of human power, but a consequence of natural laws immune to coercion of any kind. Economics and politics operate in separate realms because the economy is governed by natural law while politics is all about coercion, force, compulsion, etc. Nature serves as a barrier protecting the economy from the coercive powers of governments. But paradoxically, the naturalization of the economy undermines laissez-faire opposition to government intervention because in an economy that operates according to natural laws like the law of gravity, there is no reason to fear coercive government interference in an economic order that is "impervious to coercion." Where and when the rhetoric of laissez-faire is invoked to prohibit government interference in the operation of the economy ostensibly because the economy is governed by laws of nature that are immune to human power. In other words, an economy based on natural laws cannot be corrupted by coercive government interference, which raises the question of why anyone would warn against coercive intervention in an economic

system governed by natural laws because such an economy is immune to human interference?

We know that the purpose of invoking the rhetoric of laissez-faire together with the rhetoric of market naturalization is to create the illusion that free market outcomes can never be unjust, so all attempts to sanction the necessity of redistributing wealth as a remedy for injustice must be considered false because free market outcomes can never be unjust. But not even Hayek can sustain the fantasy of free markets that cannot be unjust, for Hayek goes on to explain:

"Justice in this connection can mean only such wages or prices as have been determined in a free market without deception, fraud, or violence, and that, in this one sense in which we can talk meaningfully about just wages or just prices."¹³⁴

As I understand these words, Hayek is admitting that it is possible "to talk meaningfully about *just* wages and just prices" because they might be the consequence of "deception, fraud, or violence." Since the essential purpose of a free market is to impersonally determine prices, profit, wages, etc., the possibility that prices and wages can be determined in an unjust manner, that is, by "deception, fraud, or violence," negates the naturalization thesis because it accounts for the necessary human element as a source of injustice.

The reason I devote so much attention to Hayek's remarks on justice and injustice is the fact that denying that free market outcomes, i.e., working class poverty and misery, is the major premise of right-wing libertarian anti-Marxism, the purpose of which is the same as is true of any naturalization of free markets—to discredit all left-wing critiques of capitalism as a system based on injustice and oppression. But even Hayek is compelled to acknowledge that free markets do provide a place for injustice in the form of "deception, fraud, or violence" in the determination of wages and prices, which Hayek treats as if a form of coercion:

There remains, however, one other kind of harmful action that is generally thought desirable to prevent and which at first might seem distinct. This is fraud and deception. Yet, though it would be straining the meaning of words to call them 'coercion,' on examination it appears that the reasons why we want to prevent them are the same as those applying to coercion. Deception, like coercion, is a form of manipulating the data on which a person counts,

*in order to make him do what deceiver wants him to do. Where it is successful, the deceived becomes in the same manner the unwilling tool, serving another man's ends without advancing his own. Though we have no single word to cover both, all we have said of coercion applies equally to fraud and deception.*¹³⁵

Accordingly, given the ever-present possibility of "deception, fraud, or violence," Hayek makes the following stipulation:

*With this correction, it seems that freedom demands no more than that coercion and violence, fraud and deception, be prevented, except for the use of coercion by government for the sole purpose of enforcing known rules intended to ensure the best conditions under which the individual may give his activities a coherent, rational pattern*¹³⁶

By treating "deception, fraud, or violence" in the same way coercion deserves to be treated, as violations of the laws of justice that deprive individuals of freedom, we now understand why the denial that injustice can occur in a free market economy because free markets are natural orders, is itself fraudulent. This means that Hayek is ultimately compelled to accept the truth of Adam Smith's conception that it is the duty of the state to prevent injustice and oppression perpetrated by the rich against the poor, violating the right of citizens to be protected against injustice. Free markets are not naturally immune to injustice. Although Hayek contradicts himself, But it is not difficult to understand Hayek's motivation once it is understood that Hayek is engaged in an anti-Marxist endeavor in which naturalizing free markets is supposed to make Marx appear foolishly wrong about capitalism. Hayek is a warrior in the struggle against Marxism, which might be noble but nevertheless does not justify the falsification of fact and reality just to make Marx appear idiotic.

For example, Hayek devises a kind of quasi-mystical conceptual apparatus organized around his famous statement in which "in economics and the social sciences, spontaneous order is defined as 'the result of human action, not of human design.'"¹³⁷ Of course, we now know why Hayek places so much cognitive weight on the notion of "spontaneous orders," since this allows him to ignore the presence of "human design" in the theory and practice of economics, and in this way cleverly, but arbitrarily, take the human element out of the economic equation so that free markets can be

presented as immune to injustice. Then Hayek invents a distinction between a "spontaneous order" and an "organization," and then stipulates "that what today is generally regarded as 'social' or distributive justice has meaning only within the second of these kinds of order, the organization; but that it is meaningless in, and wholly incompatible with that spontaneous order which Adam Smith called 'the Great Society', and Sir Karl Popper called 'the Open Society'."¹³⁸ This is Hayek once again portraying the spontaneous order called a free market as immune to injustice, which is what Hayek means when he claims that "distributive justice is meaningless in, and wholly incompatible with [a] spontaneous order"

However, Hayek also acknowledges that wages and prices in a free market economy can be unjust when they are influenced by "deception, fraud or violence," which means that the spontaneous order of a free market is not truly exempt from a standard of distributive justice/injustice. But Hayek is ideologically disposed to present free markets as natural phenomena to which the standard of distributive justice does not apply. In this way, the distribution of wealth that results from the operation of a free market can be categorized as a natural fact that is beyond human control. More specifically, the preordained conclusion that Hayek presents is intended to sanction the natural fact that "the result of a wholly just transaction may be that one side gets very little out of it and the other a great deal." In other words, if the result of free market transaction is that the few get richer and the poor get poorer, "nobody is to blame" because such income inequalities are determined by natural rather than human forces.

Let me raise the following consideration. Hayek claims that "justice is not concerned with the results of the various transactions but only with whether the transactions themselves are fair."¹³⁹ His example, which is not unexpected, focuses on unequal distributions of wealth and income that *may* result in "*results* which are more favourable to one group than to the others." But we cannot rule out the possibility that results that favor one group over other groups are the consequence of "deception, fraud or violence." Unequal results may or may not be the outcome of unjust means that are intended deliberately to favor one group over another group. Low wages that enrich the few and impoverish the many cannot be presumed to be the result of fair and equal procedures because of the possibility that the results are the product of "deception, fraud or violence." To claim that in a free market economy, inequalities in the distribution of wealth can never be unjust is just plain silly, as even Hayek understands, which is why he begins to speak of

"deception, fraud or violence," since the denial that market operations can never be unjust is palpably fraudulent.

The identification of markets with immunity from injustice is Hayek's attempt to infuse market capitalism with a sense of perfection which is wholly imaginary, an ill-fated attempt to make capitalism as exciting and passionate as Marxism was for the true believers. Yes, Hayek is always thinking of Marx and Marxism, the ideology sworn to the destruction of capitalism because of the dehumanizing way that capitalism treats workers. But in their war against Marxism, Hayek and his mentor, von Mises, foolishly follow Marx when he identifies capitalism as "economic liberalism." In the words of von Mises: "A society in which liberal principles are put into effect is usually called a capitalist society, and the condition of that society, capitalism."¹⁴⁰ Liberalism is capitalism and capitalism is liberalism. Karl Marx could not have said it any better. In fact, it is Marx who gave birth to the claim that capitalism is the economic face of liberalism, that is, economic liberalism. But according to Marx, capitalism is the sphere of widespread economic inequalities that negate the egalitarian qualities of liberal political thought. Marx coined the term "economic liberalism" as a synonym for capitalism, with Marx concluding that the meaning of liberalism, the purpose of liberalism, was to generate the legal and political conditions necessary to the exploitation and oppression of labor, the most emphatic expression of which is the capitalism of subsistence wages. More specifically, to Marx, liberalism exists to establish a capitalist political economy the purpose of which to enrich the few and impoverish the many. To Marx, this was a matter of historical necessity, since the exploitation and oppression inflicted on workers by the owners of the means of production was a necessary historical phase in the historical evolution of the world towards socialism and communism. In the Marxist conception of historical materialism, the impoverishment of workers is a necessary condition for the ultimate liberation of workers from poverty and misery.

Leonard Billet offers us the following insight:

It is a paradox in contemporary understanding that Marx, who never speaks of justice and injustice, but of science and the laws of motion and development, is everywhere known for the passionately moral character of his language and thought. Smith, on the other hand, who acknowledges the normative problem of justice as central to social analysis, is usually thought to represent an economic science bereft of moral concern. Nevertheless,

Smith's principles of political economy are fundamentally moral principles.¹⁴¹

Yes, Marx disparages the language of justice and injustice while a concern for justice is a theme that runs throughout *The Wealth of Nations*. Smith does not attempt to conceal the significance of the moral basis of his conception of political economy. But Marx filters most everything he writes about political economy through the lenses provided by his theory of historical materialism, in which everything has its appointed place, leaving no room to accommodate what is customarily characterized as a morality. The progressive Smith, preoccupied with the welfare and well-being of workers, seeking to liberate workers from the "injustice or oppression" of poverty and misery, is largely ignored by Marx who identifies Smith as a bourgeois economist providing instructions on how to exploit and oppress workers:

Economists like Adam Smith and Ricardo, who are the historians of this epoch, have no other mission then that of showing how wealth is acquired in bourgeois production relations, of formulating these relations into categories, into laws, and of showing how superior these laws, these categories, are for the production of wealth to the laws and categories of feudal society. ***Poverty is in their eyes merely the pang which accompanies every childbirth, in nature as in industry.***¹⁴²

It is rather obvious that Marx is intent on turning Smith into Ricardo, because the views he attributes to Smith are those of Ricardo, not Smith.

But Marx is not finished with Smith:

"Thou shalt labour by the sweat of thy brow!" was Jehovah's curse that he bestowed upon Adam. A. Smith conceives of labour as such a curse. 'Rest' appears to him to be the fitting state of things, and identical with 'liberty' and 'happiness'. ***It seems to be far from A. Smith's thoughts that the individual, 'in his normal state of health, strength, activity, skill, and efficiency', might also require a normal portion of work, and of cessation from rest . . . Moreover, A. Smith is thinking only of the slaves of capital.***¹⁴³

The Adam Smith that Marx writes about is a figment of Marx's imagination, for if anything is demonstrably false it the accusation that Smith was

insensitive to the suffering of workers. Marx's Adam Smith is not Smith at all, but Ricardo, for we know what Smith writes about "the humanization of labor" and the right of workers "to be themselves tolerably well fed, cloathed and lodged." None of this appears in Marx's conception of Smith, no doubt because Marx must place Smith within the historical phase dictated by Marx's historical materialism. Smith lives with a cocoon of bourgeois domination and according to Marx cannot be anything but a theoretician of bourgeois liberalism. In other words, Smith cannot be an anticipation of Marx because this does not fit into Marx's conception of bourgeois liberalism that requires that Smith be a bourgeois capitalist providing instructions on how exploit and oppress workers. The truth about Smith is sacrificed to Marx's vanity

In this respect, Marx ends up presenting us with a conception of an Adam Smith who exists nowhere in the texts that Marx is writing about. Moreover, Marx's false conception of Smith acquires a life of its own in the sense that Marx's falsification of Smith come to be accepted by right-wing anti-Marxists as the truth about Adam Smith and liberalism, even though Marx does not tell the truth about Smith and liberalism. Why? Because right-wing pro-capitalist ideologues find much comfort in Marx's portrayal of a capitalist economy that enriches the few and impoverishes the many, the working class, which they consider a positive good. Smith who was, in many ways, an anticipation of Marx was, according to Marx's understanding of historical evolution, an impossibility, because Marx's theory of historical evolution could not accommodate an Adam Smith was doing what Marx was doing beginning in the latter half of the nineteenth century. However, the fact that Marx is mistaken about Smith does not mean that Marx's understanding of Smith can be dismissed as insignificant because the way Marx interprets Smith has become, for anti-Marxist defenders of free market capitalism, the Adam Smith they prefer, the Adam Smith whose defense of laissez-faire establishes Smith as an opponent of using the coercive power of the state for the purpose of "taking from the rich to give to the poor."

In the literature of right-wing anti-Marxism, Marxism and socialism are identified primarily with the demand for an egalitarian distribution of wealth. In the words of von Mises:

"What is most criticized in our social order is the inequality in the distribution of wealth and income. There are rich and there are poor; there are very rich and very poor. The way out is not far to seek: the equal distribution of all wealth."¹⁴⁴

To those who agree with von Mises, such as Hayek and Friedman, and all their respective supporters, the commitment to "the equal distribution of all wealth" is the fundamental fact about socialism/communism, a presumption that is enormously important because libertarian anti-Marxist defenders of capitalism, like von Mises, Hayek, and Friedman, identify socialism with a commitment to use the coercive powers of government to promote "the equal distribution of all wealth." and if one wonders why this is so, the answer is that "the equal distribution of all wealth" is the remedy for prior patterns of widespread inequalities in the distribution of wealth.

But libertarians like von Mises, Hayek, and Friedman, conceive of the modern welfare state and welfare liberalism as a form of egalitarian socialism, which is why they insist that the modern welfare state represents a fake liberalism precisely because welfare liberalism is socialism. Presumably, the fact that welfare liberals rely on the state to promote the reforms necessary to liberate workers from poverty and misery is ridiculed as Marxist egalitarianism. All right-wing proponents of laissez-faire share the same sense of the evil they must declare war against, the dreaded "R" word, REDISTRIBUTION of wealth and income under the pretext that "taking from the rich to give to the poor" is demanded by the rules of justice. The evil to be attacked and prevented is the use of the coercive power of government to promote "the equal distribution of all wealth," which is identified as the essential purpose of Marxism, socialism, communism, and, let us not forget, the modern welfare state.

As one scholar insightfully points out:

There's a common argument that libertarians make against the idea of social or distributive justice. The argument, made by both Robert Nozick and Friedrich Hayek, purports to show not merely that the idea of distributive justice advocated by left-liberals like John Rawls is immoral, but that it is conceptually confused. *Asking whether the distribution of wealth in a society is just is like asking whether the color blue is heavy, or whether a stone is moral.*¹⁴⁵

This would, of course, be true, if the naturalization of poverty and misery pointed to an actual reality apart from the rhetoric with which it is invoked. The law of gravity is neither just or unjust. It does what it does, and we can do nothing about it. Hayek and his "libertarian" supporters present working class poverty and misery as if they were the consequence of

laws of nature over which human beings have no control. The denial that working class poverty and misery is a standard theme of the anti-Marxist Right, but no matter how frequently the naturalization thesis is applied, the fact remains that it is demonstrably false as an empirical proposition. Rhetoric is not reality. In fact, those who endorse the naturalizing of poverty and misery ought to be embarrassed because, assuming that they speak the truth, the fact that working class poverty and misery is determined by natural laws of the same status as the law of gravity would mean that this had always been true. That is, the law of gravity did not go into effect when it was discovered by Newton, so the fact that we may not have known about the role nature performs in human economic experience would not mean that the naturalization thesis is true. If this was true, we would have to conclude that philosophers of the caliber of Plato and Aristotle, as well as practically all other political thinkers, were engaged in a fool's errand, relying on a concept that, according to Hayek, has no coherent meaning.

But it turns out that it is Hayek and his libertarian followers who are engaged in a fool's errand, since Hayek's assault on the idea of social justice is an important element in his anti-socialist crusade. Hayek portrays social justice as a meaningless concept in order to deflect all leftist critiques of capitalism as an economic system that requires massive patterns of working class poverty and misery. What better way to discredit the socialist claim that under capitalism workers are victims of injustice than to insist that the socialist critique of capitalism is absurdly foolish because they find injustice where injustice is humanly impossible, since free markets are immune to coercion and injustice." Hayek's account of the absurdity of social justice is anti-Marxist propaganda that lacks one fundamental quality— truth.

The notion of distributive justice/injustice, so ruthlessly ridiculed by Hayek for obvious ideological reasons, has at its foundation judgments about how the poor became poor, the rich became rich, etc. But to those who naturalize free market economies, there is no need to think historically, to determine the causes of wealth distribution, because considerations of justice and injustice have no relevance to that which takes place naturally. Now if one is an economist with little if any interest in or knowledge of history, the naturalization of the distribution of wealth provides a much needed excuse for one's ignorance of historical fact. It is far better to make it up as one goes along and attribute everything to nature. But it is my judgment that the claim that the few get rich and the many get poor as a consequence of nature, is more an admission of failure than a persuasive answer. As Hayek acknowledges, there is no way to confirm that his

naturalization of markets is true or false.¹⁴⁶ But this does not prevent Hayek from presuming that his view of the natural character of markets is nevertheless true.

No one has affected the study of Adam Smith and liberalism more than Karl Marx, although what is significant about Marx's contribution is the fact that he falsifies liberalism as well as the thinking of Adam Smith. Anyone who wishes to understand the meaning of liberalism, particularly as liberalism is reflected in the conception of political economy presented by Adam Smith in *The Wealth of Nations* is well advised not to accept what Marx writes about liberalism and/or Adam Smith as the definitive truth about liberalism and Adam Smith. It is, of course, well known that Marx attributes the exploitation and oppression of industrial workers to liberalism, which must entail the judgment that Adam Smith, as a liberal political economist, is deeply committed to the exploitation and oppression of labor. From this perspective, Smith is the bourgeois antithesis of Marx, the enemy of a Marx who is devoted to the liberation of workers from the kind of exploitation and oppression ostensibly prescribed by Adam Smith.

What Marx does is to present Smith as a proponent of working class poverty and misery, a bourgeois exploiter of workers, and it is this conception of Smith that serves, as the conception of Smith defended by anti-Marxists, even though it is false. More specifically, I shall set out to refute the customary scholarly tradition that treats Malthus and Ricardo as disciples of Adam Smith, for this is based on Marx's falsification of Smith. In fact, Marx interprets Smith as if Smith was Ricardo dedicated to promoting working class poverty and misery, the worst way to understand Smith's thinking. Nevertheless, the influence of Marx on the understanding of liberalism is overwhelming, even though it is false, which is one of the reasons it is so important to exclude laissez-faire as a premise of liberalism.

Laissez-faire rhetoric and the naturalization of markets are fraudulent subterfuges intended to protect the wealth and property of the rich, the few, doing so by speaking of a generalized prohibition against government intervention in the economy, although the actual purpose of laissez-faire rhetoric is to prevent only those state interventions intended to promote greater equality in the distribution of wealth and income by means of the coercive redistribution of wealth and income, taking from the rich to give to the poor. Since the French Revolution, laissez-faire rhetoric is invoked to prevent liberal and/or democratic governments from using the coercive power of government to promote greater equality in the distribution of income, on the grounds that this policy is warranted by the requirements

of justice. The single, overriding, preoccupation of those who invoke the rhetoric of laissez-faire as if this was the essence of liberalism is to prevent state sponsored redistribution of income as something demanded by the rules of what we might call *distributive injustice*.

There are times at which Smith begins to sound like Rousseau in his awareness of the debilitating effects of poverty and misery. Smith does not write to flatter the egos of the rich because the rich and powerful are unscrupulous, because, as Rousseau understands, the rich are delighted to have so many poor people grovel at their feet, at the complete mercy of the rich. Rousseau puts the matter in the following way:

Finally, I would prove that if we see a handful of rich and powerful men at the pinnacle of greatness and fortune, while the crowd grovels in obscurity and misery, it is because the former esteem the things they possess only insofar as others are deprived of them, and because, without any change in their condition, they would cease being happy if the people ceased being miserable.¹⁴⁷

Yes, Rousseau's words are more inflammatory than those Smith uses to characterize the relationship between rich and poor, but both Smith and Rousseau acknowledge the fact that the fate of the poor is determined by the power of the rich.

Smith is right, Rousseau is right, and Marx is right, as they protest against the misery and suffering that the rich inflict on the poor. Yes, to Smith, the working class poor and miserable are victims of a distribution of power that denies power to the poor so that the rich can enjoy their favorite pastime—inflicting pain and humiliation of the poor. In my mind, the worst aspect of the writings of anti-Marxists like Hayek, von Mises, and Friedman, is their denial of the poverty and misery of the poor under the conditions of a capitalist political economy. These men always assure their readers that the well-being of workers increased under capitalism, although they never offer any proof of this no doubt because there is no proof available.

But even Hayek contradicts his claim that there can be *no distributive injustice* in a free market economy when he acknowledges the possibility that "deception, fraud, or violence" can promote injustice in a political economy that, according to Hayek, is supposed to be immune to injustice. However, the claim that free markets can never be unjust because free markets are natural orders and "nature can never be unjust" is a *mantra*

that Hayek repeats over and over in his writings because he is preoccupied, to the point of obsession, with refuting what he believes is the contention of Karl Marx that working class poverty and misery are unjust and oppressive, which would mean that if Hayek is right, Marx must be wrong. For Hayek, and most other "libertarian" defenders of free market capitalism, all contentions that working class poverty and misery resulting from capitalist free markets are wrong because free markets can never produce unjust results since free markets are natural orders and "nature can never be unjust." Accordingly, anyone who claims that government has a duty to redistribute wealth and income in order to rectify injustice is always wrong because working class poverty and misery that is the outcome of free market transactions *can never be unjust*. No injustice, no redistribution. To Hayek it is that simple. But as we shall discover, it is not that simple.

My point is this. Smith stipulates that governments have "*the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice.*" If Hayek is correct, then the transactions and outcomes of a free market do not and cannot fall within the jurisdiction of a government's duty to protect citizens from "injustice or oppression." But Smith's *The Wealth of Nations* reads like a grand jury list of the crimes perpetrated by "merchants and manufacturers." Smith does not actually naturalize the operation of markets, which means he does not exclude the free market from the jurisdiction covered by a government's duty to protect citizens from injustice. Indeed, Smith says the following: "*Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men.*" In other words, free markets are not exempt from the laws of justice just because they are free markets, or natural orders, or spontaneous orders.

Everyone knows that Adam Smith is the apostle of economic liberty. However, few seem to recognize that, for Smith, liberty, competition, and the market process are derived from and subordinate to the principles of social justice. Justice necessarily circumscribes liberty, and the unrecognized theme of *The Wealth of Nations* is just liberty.¹⁴⁸

Hayek emphasizes the fact that even though a free market economy might very well produce unequal outcomes—think of the enrichment of the

few and the impoverishment of the many—the mere inequality of results does not mean that unequal outcomes are unjust because they are unequal. Hayek is correct to say that equal treatment may lead to unequal results, and that unequal results are not unjust if they are the result of equal treatment. At the same time, if unequal results are the consequence of unequal treatment, then this would be unjust because, as Hayek claims, "justice is not concerned with the results of various transactions but only with whether the transactions themselves are fair." This must mean that when laws are enacted which intentionally favor the interests of the rich contrary to the interests of the poor, the resultant mass poverty must be unjust, which seems to violate Hayek's contention that the results of free market transactions can never be unjust because free markets are natural orders and nature can never only human conduct

Hayek's intent is to remove the possibility of using the coercive powers of the state "to take from the rich and give to the poor" as compensation for prior unjust treatment, i.e., the unjust exercise of political power, relying first on the naturalization of markets that are immune to injustice and second, by arguing that even where the distribution of wealth might have unjustly favored the rich over the poor, the victims of injustice are prohibited from "taking from the rich to give to the poor." To Hayek, and to most anti-Marxist defenders of capitalism, the worst of all evils is the attempt to use the coercive power of government to redistribute, i.e., confiscate, some of the wealth of the few to compensate the many for the injustice they suffered when the few relied on coercive political power to impoverish the many. It is to prevent this transfer of wealth from rich to poor that the wealthy have relied on invoking the rhetoric of *laissez-faire*, for by keeping government out of the economy there can be no coercive redistribution of wealth. This is not a point of view shared by Adam Smith, who does not claim that the results of free market transactions are always just because, after all, free markets are natural orders that are immune to injustice. After all, as Hayek stipulates, whether or not wages and prices determined in a free market are just or unjust is contingent on the absence of "deception, fraud, or violence," which would mean necessarily that free markets are not spontaneously self-correcting.

It appears beyond doubt that the issue of justice or injustice in a free market is all about class division and class conflicts. Smith speaks of rich and poor. Marx speaks of rich and poor. Indeed, Smith and Marx share a similar perspective on class division and class conflict, for both conceive

of the past as a continuous record of the few dominating the many, the rich dominating the poor. Always there is the exploitation and oppression of workers by the rich, by the owners of the means of production. Both Smith and Marx intend to liberate workers from poverty and misery, for both men explain to us how the world has always been organized to promote the right of the rich to exercise absolute power over the poor. However, most people associate this emphasis on class division and class conflict with Marx rather than Smith. Hayek, for example, sets out to deny that in a capitalist political economy that poor people are exploited by rich people. To be sure, there are rich and poor, but in a free market economy no one is responsible for how wealth and property are distributed, since it is nature that determines who becomes rich and who becomes poor. In other words, "nobody is to blame."

But this is not how Adam Smith understands this matter:

*The irony of history has left us with a profile of Adam Smith which is both false and unfair. He was a friend and champion of the poor, yet he is now regarded as the defender of privilege. He was a radical for liberty, but friend and foe alike now call him a conservative. He did not employ the word capital or capitalist in his several books, yet he is generally regarded as the economist of Capitalism.*¹⁴⁹

In the words of Spencer A. Johnson: "*At the heart of Smith's project is the attempt to advance, in theory and practice, the radical emancipation entailed in free wage-labor.*"¹⁵⁰ This is an important statement because it represents another link in the chain of evidence that establishes the ideological connection between Adam Smith and Karl Marx, who share the similar project of liberating workers from the poverty and misery inherent in the coercive domination exercised by the rich against the poor. In Adam Smith's words, workers are victims of the *oppressive inequality* imposed upon the poor by the rich.

Unfortunately, it is frequently the case that Adam Smith's words are ignored by those intent upon converting Smith into a champion of the rich and privileged or, in other words, a *conservative*, an ideological soul mate of Edmund Burke. It is, or ought to be, an exercise in elementary simplicity to refute all interpretations of Smith as a defender of the interests of the rich, for Smith makes it emphatically clear throughout the text of *The Wealth of Nations* that he was defending the rights and interests of the poor who deserved, as a matter of human right, *the liberal reward of labor*. In her superb study, *Economic Sentiments: Adam Smith, Condorcet, and the*

Enlightenment, Emma Rothschild cites the words of Carl Menger as a retort to those who would portray Smith as a conservative defender of the wealthy and the privileged:

*A. Smith placed himself in all cases of conflict of interest between the poor and the rich, the strong and the weak, **without exception**, on the side of the latter. I use the expression "without exception" after careful reflection, since there is not a single instance in A. Smith's work in which he represents the interests of the rich and powerful as opposed to the poor and weak.*¹⁵¹

But unlike Marx, Smith characterizes the process by which the rich oppress the poor as injustice, a term that Marx was loathe to use because the poverty and misery of workers is a necessary element in the ultimate liberation of workers from poverty and misery. Let us try to understand Smith's reasoning in this regard. Why does Adam Smith begin *The Wealth of Nations* with the following sentence?: "The greatest improvement in the productive powers of labor, and the greater part of the skill, dexterity, and judgment with which is anywhere directed, or applied seem to have been the effects of the division of labour"?¹⁵² What significance does Adam Smith give to "the productive powers of labor" in a text devoted to explaining how to organize a political economy for the purpose of increasing the wealth of a nation? For example, if I were to ask most people, whether scholarly or non-scholarly, according to Adam Smith what is the best way to increase the wealth of a nation, most people would undoubtedly say something along the lines of do not permit the government to interfere in the activities of businessmen, prohibit coercive government intervention in the economy. Most of us have been taught that, according to Adam Smith, in a political economy organized to increase the wealth of a nation, there will be little or no government intervention in the economy. Under the framework of laissez-faire or free market capitalism, the maximization of wealth creation requires that the government leave the activities that take place in the market alone. Government should "do nothing" in relation to economic activities, and by "doing nothing, we shall increase the wealth of a nation.

But since laissez-faire means "leave-it-alone," invoking the rhetoric of laissez-faire enables the rich to protect their own rights and interests, to avoid taking any blame or responsibility for mass poverty and misery. What is to be "left alone" is a political economy that enriches the few and impoverishes the many. However, it is vital that we understand why invoking the rhetoric of laissez-faire is itself a discrete form of interference,

since "doing nothing is doing something," a public policy choice intended to protect an oligarchic political economy from the exercise of the political power of liberal-democratic for the purpose of "taking from the few to give to the many." Since we have learned that what is natural is immune to human interference, invoking the rhetoric of noninterference is intended to interfere with efforts to use the coercive power of government to establish greater equality in the distribution of wealth and income. The point is that to naturalize the economy is to present mass poverty and misery as a natural fact that can never be unjust or oppressive, about which we are helpless.

Hayek, and those who endorse his line of argument, insist that freedom and power are two entirely different conceptions, for this enables them to claim that "poverty is not unfreedom" since wealth is power not freedom. In Hayek's terms, a person can be "free yet miserable" and free and poor. "They may be poor and hard up, but their liberty is not infringed." According to Keith Joseph: "Poverty is one kind of personal incapacity. But it is not coercion."¹⁵³ Now this provides me with the opportunity to provide an example of how I use Adam Smith throughout this study. The claim that "poverty is not a loss of freedom because poverty is not coercion," is not a judgment that would be acceptable to Adam Smith, because of the way Smith explains why workers in eighteenth century England are poor and miserable, for what Smith explains is that workers are poor and miserable because of legislative intervention that promotes enriches the few and impoverishes the many. The coercive power of legislators explains why the wages of workers are customarily low.

I am not trying to refute the claim that poverty is not coercion because it disagrees with Smith's position, but I am trying to establish as an indubitable fact that the positions of Hayek, von Mises, Friedman, and other right-wing anti-socialist warriors are incompatible with the position adopted by Smith. And at the same time, I insist that Smith's position is the definitive position of liberalism, so that if Smith's positions on a range of issues represents the liberal point of view, then the position defended by Hayek and Joseph is not liberal but illiberal. In other words, I want to establish the fact that Hayek disagrees with Smith, and that to disagree with Smith is antiliberal. In this manner, it is my intention to explain why Hayek is not entitled to be identified as a theoretician of liberalism, since Smith is the standard by which I determine what is or is not liberal.

But for sake of argument, let us accept the distinction between freedom and poverty in which a person can be free yet miserable. Does this mean that being poor and miserable is irrelevant to the normative quality of

the political economy of capitalism. Contrast this with the position of Adam Smith. Free or not, working class poverty and misery is not acceptable to Smith. In fact, he regards working class poverty and misery as "injustice and oppressive" because politically, not naturally, determined. In other words, in Smith's conception of political economy, it is of fundamental practical and moral importance for "the far greater part of members" not to be poor and miserable, because workers are human beings with a human right "to be themselves tolerably well fed, clothed and lodged." Specifically, Adam Smith does not naturalize poverty and misery; rather, he politicizes working class poverty and misery as expressions of the coercive power of the state. Remember, it is a core premise of this study to establish the fact that on very crucial considerations, Smith and Hayek have conflicting and irreconcilable positions.

As regards the naturalization of free market economies, we must not ignore the significance of the physiocrats in France, but also should not over-exaggerate their significance;

The physiocrats, reacting against the excessive mercantilist regulations of the France of their day, expressed a belief in a "natural order" or liberty under which individuals in following their selfish interests contributed to the general good. Since, in their view, this natural order functioned successfully without the aid of government, they advised the state to restrict itself to upholding the rights of private property and individual liberty, to removing all artificial barriers to trade, and to abolishing all useless laws."¹⁵⁴

But according to Polanyi:

To antedate the policy of laissez-faire, as is often done, to the time when this catchword was first used in France in the middle of the eighteenth century would be entirely unhistorical; it can safely be said that not until two generations later was economic liberalism more than a spasmodic tendency. Only by the 1820s did it stand for three classical tenets.¹⁵⁵ Which is to date the major historical influence of laissez-faire naturalism to the aftermath of the French Revolution, as a reaction to and against the French Revolution as a rebellion instigated by the egalitarian principles of liberalism.

It is certainly true that Adam Smith expressed admiration for the physiocrats informing us that this "*system with all its imperfections, is*

perhaps the nearest approximation to the truth that has yet been published upon the subject of political economy, and is, upon account, well worth the consideration of every man who wishes to examine with attention the principles of that very important science."¹⁵⁶ But even though many scholars claim that Adam Smith's *The Wealth of Nations* incorporates and endorses the physiocratic doctrine of laissez-faire, this is untrue, which helps explain why Smith never uses the term "laissez-faire" in a text of almost one thousand pages. Most emphatically, the absence of any endorsement of laissez-faire in Smith's *The Wealth of Nations* is quite conspicuous precisely because during the past few hundred years, scholars and non-scholars alike have portrayed Adam Smith as the prophetic creator of laissez-faire, despite the fact that there is no textual evidence that would confirm the truth of this assertion. Simply put, Adam Smith does not propose a doctrine of laissez-faire in *The Wealth of Nations*, nor do other avowedly liberal thinkers such as John Locke, John Trenchard, Thomas Gordon, James Madison, etc.,¹⁵⁷ propose a doctrine of laissez-faire. Hence my interest in figuring out how and why laissez-faire came to be linked so closely to Adam Smith and to liberalism.

Despite Smith's admiration of physiocratic principles, he was nevertheless quite critical of their belief that the source of all wealth was agriculture.

Those systems, therefore, which preferring agriculture to all other employments, in order to promote it, impose restraints upon manufactures and foreign trade, act contrary to the very end which they propose, and indirectly discourage that very species of industry they mean to promote. They are so far, perhaps, more inconsistent then even the mercantile system.¹⁵⁸

Smith explains that the "system which represents the produce of land as the sole source of the revenue and wealth of every country has, so far as I know, never been adopted by any nation, and it at present exists only in the speculations of a few men of great learning and ingenuity in France."¹⁵⁹ Smith rejects the physiocratic claim that only agriculture is productive and the dominant source of the wealth of any nation. To the Physiocrats, "merchants, artificers and manufacturers" were an "unproductive class," a position that Smith rejects because of his own claim that "the industry of merchants, artificers and manufacturers " makes a more significant contribution to increasing "the productive powers of labour." Smith

concludes that it is wrong to regard "merchants, artificers and manufacturers as "unproductive labor."

We must acknowledge the fact that the physiocratic belief in a natural economic order that should be left alone by the state:

*The conscious economic aims of the revolution had in fact been worked out by a group of French Rationalist Philosophers who called themselves économistes or physiocrates. They held that there were natural laws governing the production and distribution of wealth just as there were other laws of nature and that governments should let these economic laws operate spontaneously.*¹⁶⁰

It was this belief in a natural economic order that initially had revolutionary implications, so there is much irony in the fact that British theorists managed to convert this naturalism into a rather conservative, counter-revolutionary movement, exploiting the division of economy from polity in order to protect the wealth and property of the oligarchic ruling class from the potential radicalism of liberal and/or democratic ideas, since democracy still meant "the rule of the poor," which Burke attacked ruthlessly as "democratic madness."

But what about Smith's use of expressions like "the obvious and simple system of natural liberty," which is customarily taken as evidence of Smith's laissez-faire credentials. I have always found Smith's reference to "the obvious and simple system of natural liberty" to be out of place because Smith emphasizes political economy, not natural economy. Then there is this reference that the triumph of "the obvious and simple system of natural liberty" was contingent on the following: "All systems either of preference or of restraint completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way" ¹⁶¹ In other words, this "natural liberty" is limited by the laws of justice that are themselves unnatural, that is, political. If a natural economic order requires positive laws that enforce property rights, in what sense is it intelligible to still characterize the economy as "natural," particularly if what is "natural" presupposes what is unnatural?

But there is another tradition in which natural law is used ethically, not scientifically natural laws not as scientific facts but as ethical norms that can always be violated by human beings: *"Adam Smith was in the Natural Law tradition influenced by Grotius, Pufendorf, Carmichael and Hutcheson,*

*which regarded the individual as a beneficiary of certain basic natural rights, including property in self, hence slavery breached Natural Law and was not about greater social good." Accordingly, in the "natural law" tradition, natural liberty "meant the removal of government restraints so that free people could live their lives and manage their property according to individual preference as long as nobody else was injured through force or fraud."*¹⁶²

In other words, Smith speaks of "the obvious and simple system of natural liberty" in the sense of Locke's idea of natural rights, not as something akin to the natural law of gravity. Aristotle, of course, had famously argued that slavery was natural and therefore "expedient and right," To Smith and to Locke, slavery was a violation of natural rights.

But the fact of the matter is that the division of society into the rich and the poor, the few and the many, had been the norm for a few thousand years, so what was Smith's rationale for judging this age-old fact of life as a violation of the requirements of justice? The answer, of course, is to be found in Locke's *humanization of labor*, in the revolutionary notion that those who labor are just as human as those who do not labor. To be human is antithetical to the institution and status of slavery. We know that the productive basis of classical antiquity, the Greeks and the Romans, was slavery, for the slave made it possible for wealthy men to become "exempt from labor," the fundamental requirement for being human and becoming a citizen.

And what we learned from Nietzsche and Arendt reinforces the awareness that the liberal "humanization of labor," with its prohibition against slavery, produced a way of life that made it possible for workers of all kinds to lay claim to equal human rights, so that the rich were no more or less human than the poor. Because workers are human beings, they have a human right "to be themselves tolerably well fed, cloathed and lodged." In 1776, this was nothing less than revolutionary.

The Adam Smith who, in mid-eighteenth century England, regards working class poverty and misery as unjust is the Adam Smith who is engaged in a project of the same kind that occupied Marx's attention in the latter half of the nineteenth century, at least in terms of the commitment to the liberation of workers from the kind of poverty and misery that both Smith and Marx consider dehumanizing. This is an Adam Smith who does not conform to the orthodoxies of the conventional conception of Smith as the high priest of the laissez-faire faith because this is an Adam Smith who

condemns the practices in a political economy dedicated to keeping workers poor and miserable. Discovering passages such as those cited above clearly demonstrates Smith's commitment to the criticism of a political economy based on working class poverty and misery," a political economy that, according to Smith, grinds out "oppressive inequality" in violation of the laws of justice and equity, stimulated a need to figure out how so many people over such a long period of time have accepted the truth of a conception of Smith for which there is no textual verification. But this has not prevented the many people who continue to insist that Smith invoked the theory of laissez-faire and that there is no liberalism in the absence of laissez-faire, which is why I pay so much attention to the subject of laissez-faire.

To those who subscribe to the thesis that "classical liberalism . . . was hijacked sometime around the end of the nineteenth century," there is one and only one liberalism, that of laissez-faire. The application of the term liberalism to twentieth century patterns of state intervention in the economy are mistakenly regarded as liberalism by men and women who have an ulterior motive for doing so, namely, to disguise what is socialism by calling it liberalism. As we shall discover, the target of the wrath of "classical liberals of today" is the modern welfare state and what is called "welfare liberalism," that involves the abandonment and the repudiation of laissez-faire. Classical liberalism "was derived from the idea that natural laws infallibly regulated economic transactions. Therefore, they upheld laissez-faire" and its vision of "[a]n unhampered, unregulated economy,"⁶⁰ which is customarily called either classical liberalism or economic liberalism. Again, the words of Friedman are appropriate:

*Beginning in the late nineteenth century, and especially after 1930 in the United States, the term liberalism came to be associated with a very different emphasis, particularly in economic policy. It came to be associated with a readiness to rely primarily on the state rather than on private voluntary arrangements to achieve objectives regarded as desirable. The catchwords became welfare and equality rather than freedom.*¹⁶³

The response to Friedman's point of view goes like this:

The great problem of our civilization is still unsolved. We have to account for and to grapple with the mass of misery and destitution in our midst, co-

existent as it is with the evidence of abundant wealth and teeming prosperity. It is a problem which some men would put aside by reference to the eternal laws of supply and demand, to the necessity of freedom of contract, and to the sanctity of every private right of property. But, gentleman, these phrases are the convenient cant of selfish wealth But now that we have a Government of the people by the people, we will go on and make it for every man his natural rights—his right to existence, and to a fair enjoyment of it.¹⁶⁴

Now I put the following question: Which of these statements represents the position of Adam Smith and liberalism? I have little doubt that the correct answer is that the second statement represents the views of Smith and of liberalism. The position defended by Friedman, which he identifies with liberalism is, in fact, the standard argument of those opposed to liberalism. The second statement presents, in different words, Smith's contention that workers have a right "to be themselves tolerably well fed, cloathed and lodged."

To those who protested against working class poverty and misery, laissez-faire capitalism (economic liberalism) was doctrinally anti-worker, committed to the permanent impoverishment of workers in a manner reminiscent of the kind of political economy that Adam Smith rejected because of its dehumanization of workers. The movement in favor using government to adopt policies intended to alleviate working class poverty and misery through public policies intended to transfer wealth and income from the richer to the poorer, as a remedy for injustice. Here, of course, defenders of nineteenth century industrial capitalism of the kind generally associated with laissez-faire respond by insisting that working class poverty and misery in the nineteenth century was natural and not political, and thus no matter how much poverty and suffering workers experience, they were not victims of injustice because their fate was determined by natural laws over which human beings had no control. But this is not the position of Adam Smith, for whom the "oppressive inequality" that produces working class poverty and misery was determined "either by violence or by the more orderly oppression of law."¹⁶⁵

Smith wrote these words in the eighteenth century, but they remain as true today as in the past. Is income inequality that enriches the few and impoverishes the many by no means unjust because the market determination of income is based on the operation of natural laws of the same status as the law of gravity? This is, as we have seen, precisely what

Hayek wants everyone to believe to be true, but as I have said above, not even Hayek believes that this position is true. Rather, Hayek introduces us to the factors—deception, fraud, violence—that are the actual sources of injustice and oppression in the everyday realities of a political economy. To repeat, Smith is well aware that in the real world, radically widespread income inequalities that enrich the few and impoverish the many are caused "either by violence or by the more orderly oppression of law," not by nature. The reason why Hayek naturalizes free markets is because in his naturalistic fantasy world, Hayek never has to deal with human beings, and it is certainly true that if there were no human beings, the world would be perfect. But we must always remember that Hayek is inspired by his struggle against Marxism, or any "ism" that involves claims that working class poverty and misery are unjust and oppressive.

Of leftist criticisms of income inequalities in a capitalist economy, Hayek writes:

Almost without exception they base their argument on the *fable convenue* that free enterprise has operated to the disadvantage of the manual workers and allege that 'early capitalism' or 'liberalism' had brought about a decline in the material standard of the working class. The legend, although wholly untrue, has become part of the folklore of our time. The fact is, of course, that as the result of the growth of free markets, the reward of manual labour has during the past hundred and fifty years experienced an increase unknown in any earlier period of history.¹⁶⁶

But most reputable sources do not confirm Hayek's thesis because it is untrue. In Hayek's naturalistic utopia, no one coerces anyone else because free market capitalism is the rule of nobody, and "nobody is to blame." In Buchanan's terms "coercion is drained out." But then we must deal with Samuel Smiles:

When typhus or cholera breaks out, they tell us that nobody is to blame, That terrible Nobody! How much he has to answer for! More mischief is done by Nobody then by all the world besides. Nobody adulterates our food. Nobody poisons us with bad drink. Nobody supplies is with foul water. Nobody spreads fever in blind alleys and unswept lanes. Nobody leaves towns undrained. Nobody fills jails, penitentiaries and convict stations. Nobody

makes poachers, thieves and drunkards." Nobody has a theory, too – a dreadful theory. It is embodied in two words: Laissez-faire-let alone. When people are poisoned by plaster of Paris mixed with flour, 'Let alone' is the remedy. . . . Let wretchedness do its work; do not interfere with death.¹⁶⁷

As far as Hayek is concerned, there is no "wretchedness" to deal with because Hayek is a practitioner of "the rule of nobody," where "nobody is to blame" for human wretchedness, and where "nobody is to blame" there is no rationale for government interference because "nobody is to blame" for poverty and misery. The rule of nobody is, of course, NATURE. To be sure, in Hayek's ahistorical universe, no such poverty and misery has taken place during the previous one hundred and fifty years. More importantly, when, after 1945, workers were able to raise their material standard of living, the proximate cause of this increase was the influence of labor unions, which Hayek loathes. Hayek's fear of Marxism is so severe that he is willing to falsify reality in order to make Marx look like a fool.¹⁶⁸

But few scholars identify Smith as someone for whom low wages and working class poverty and misery are unjust and oppressive,¹⁶⁹ which is a language customarily reserved for Marx and Marxism, although even a casual reading of what Smith writes in the chapter "Of the Wages of Labour" should suffice to establish Smith's credentials as a protestor against working class poverty and misery.¹⁷⁰ The problem we encounter here is that Marx depicts Smith as one of those bourgeois intellectuals instructing the bourgeoisie about how to exploit and oppress workers, a bourgeois economist completely insensitive to the suffering of workers.⁶³ Nevertheless, the fact is that a protest against the low wages of labor is a centerpiece of Smith's conception of political economy and his explanation of how best to increase the wealth of a nation. In this respect, Smith had great sensitivity to the political and economic impact of the struggle between the rich and the poor, the few and the many. Class division and class conflict are major themes in Smith's *The Wealth of Nations* and in liberalism, as well.

English liberalism was born out of the 17th-century struggle for freedom of conscience and the resistance of Parliament to the arbitrary authority of the King.¹⁷¹

If we wish to understand liberalism properly we must acknowledge that liberalism did not come into the world as an economic phenomenon.

Rather, the pattern of thinking that eventually came to be called "liberal" begins to emerge in the seventeenth century as the most important *unintended consequence of the Protestant Reformation*. Although most scholars tend to believe that liberalism came into this world to make the world safe for capitalism, a conception of liberalism that, while untrue, demonstrates once again the enormous influence of Karl Marx on thinking about liberalism. Marx clearly identifies liberalism with creating the conditions for a capitalist political economy founded on permanent working class poverty and misery. But Marx is wrong, because liberalism originates as a theory of *how to make the world safe for religious diversity* in a Europe that has experienced religious inspired warfare in response to the rise of Protestantism beginning in 1517. The "age of religious wars" was caused by the eruption of rival claimants to "true Christianity" in the context of the belief that there was only one true version of Christianity, a monopoly enjoyed by the Roman Catholic Church. When a Protestant version of Christianity was introduced into this world, thereby establishing a context of different versions of Christianity, the crucial question became that of determining which version of Christianity will count as the official religion of citizenship in a Christian nation.¹⁷²

The premise of European political life had long been the creation of a Christian state, which presented little difficulty in a Europe that knew only the Roman Catholic version of Christianity. Since a Christian commonwealth could only be based on uniform religious belief and practice, the introduction of a non-Catholic version of Christianity raised the issue of what to do in a context in which religious diversity arose in a world demanding religious uniformity, in a Europe that treated preaching of toleration of religious diversity as a crime. Religious warfare, both internal and external, was the consequence of increasing religious diversity in a Christian universe that demands uniformity of religious belief and practice. Warfare between Roman Catholicism and Protestantism was a manifestation of the effort to restore Christian religious uniformity by violently destroying all rival versions of Christianity until only one remained dominant. But this failed as religious violence proved incapable of restoring religious uniformity. Ultimately, the dominant issue became that of how to put an end to a war-ravaged Europe in which everyone could look forward to a life that was, in Hobbes's words, "solitary, poor, nasty, brutish, and short."

In the writings of John Locke near the end of the seventeenth century, a solution was offered in which the quest to restore Christian religious uniformity was to be set aside so that members of the same civil

society would cease killing one another in the name of true Christianity. Locke proposed the creation of states that would have no official religion of citizenship in a state that separated religion and politics, church and state, in order to prevent lives devoted to religious mayhem and violence. Locke proposed a state based on the toleration of religious diversity, in which political power was no longer exercised for sectarian religious purposes. The secularization of politics became the most important feature of what we came to know as a liberal state, a state with no official religion, a state that protection's everyone's right to worship God according to the dictates of their consciences. Moreover, since a secular state does not claim to exercise power in the name of an all-powerful deity, there is no longer any point in political absolutism, the substitute for which is limited government, a government that exercise limited authority over its citizens.¹⁷³

The secularization of politics might very well be the most controversial feature of Locke's political thinking, and continues to remain highly controversial in a world that once again appears ready to disintegrate into the violence and chaos of religious hatred and religious warfare in a quest to restore religious uniformity. In simple terms, the fundamental premise of liberalism became toleration of religious diversity and the secularization of politics, all in an effort to make the world safe for religious diversity.

Since we are writing about liberalism, it would appropriate to mention the contributions made by the Levellers during the English Civil War, "*The Levellers were a political movement during the English Civil War that emphasized popular sovereignty, extended suffrage, common land ownership, equality before the law, and religious tolerance, all of which were expressed in the manifesto "Agreement of the People." a document "that included further demands such as, the liberty of conscience, equality before the law, and an end of conscription for war service."*¹⁷⁴ Perhaps the most important statement issued by the Levellers is the following:

*For really I think that the poorest he that is in England hath a life to live, as the greatest he; and therefore truly, sir, I think it's clear that every man that is to live under a government ought first by his own consent to put himself under that government; and I do think that the poorest man in England is not bound in a strict sense to that government that he hath not had a voice to put himself under."*¹⁷⁵

The Levellers "represented the aspirations of working people who suffered under the persecution of kings, landowners and the priestly class, and they spoke for those who experienced the hardships of poverty and deprivation." All of these radical political ideas occurred in 1647, but as an organized political movement, the Levellers were ruthlessly suppressed by Cromwell. The political ideas of the Levellers were a response to the events set in motion by the English Civil War, a civil war with significant religious dimensions. Many of the radical ideas of the Levellers were subsequently taken up by John Locke, who is often regarded, rightfully so, as the creator of liberalism. What is on display in Locke's writings, specifically, *The Second Treatise of Civil Government* and the *Letters on Toleration* are the central ideas and themes that eventually came to be called liberalism.

But we must be more precise. Locke calls for a secular political experience to replace the older and much more dangerous commitment to creating a Christian theocracy. In a political reality that no longer practiced a theocratic political life, a political life in which those who ruled claim to represent the will of God so in the name of God, a state based on the right of rulers to exercise absolute power, as God exercised absolute power, became itself a provocation for religious-based violence when absolute monarchs decided to proclaim themselves the head of church and state. Locke argued that absolute power and absolute monarchy had become sources of oppression in a state that did not practice the politics of religious uniformity. Locke declared that "absolute monarchs are but men," not gods, which was taken to mean that no one had a right to exercise absolute power over others. This prohibition against absolute power is one of the fundamental principles of liberalism, because absolute power represents the negation of the natural rights of man and citizen. In Locke's formulation, every man had a natural right "to Life, Liberty, Health, or Possessions."¹⁷⁶ These rights limited and defined the legitimate exercise of political power, so that liberalism has come to be identified with limited government.

But in a civil society that no longer practiced a theocratic politics, what was to be the sum and substance of civic life, and Locke's answer was the pursuit of material prosperity as well as the right to own and acquire private property. It is well known that Marx regarded Locke as a political thinker who provides capitalism with its major premise—the right of individuals to own private property. But Locke was not a free market capitalist and he certainly did not propose a laissez-faire economic policy. It was the duty of government to protect the rights of all members of society, and it is not farfetched to say that, like Smith, Locke considered it the duty

of government to prevent injustice and oppression that consisted in the violation of rights. But more than this: "To Locke, all men who labor have the right to sustain themselves and an economy is not moral unless it grants all laborers the right to needed resources. Economies should be able to provide for all who are willing to labor in order to survive."¹⁷⁷ Which is another way of saying along with Smith, that workers have a right "to be themselves tolerably well fed, cloathed and lodged." The right to own private property does not mean, for Locke, the right to oppress others or prevent anyone from attaining the means required "to be themselves tolerably well fed, cloathed and lodged."

In this respect, it may well be the case that it is the secularization of politics that is the most radical aspect of liberalism. I bring this to our attention because we are now experiencing once more the cruelty and brutality of religious warfare dedicated to establishing a theocratic way of life based on one and only religion. In other word, it is unfortunate but true that the need for and the importance of liberalism has become increasingly apparent as religious warfare condemns millions of men, women, and children, to lives that are "solitary, poor, nasty, and short." This is why it is crucial that we acknowledge the fact that the first priority of liberalism is *to make the world safe for religious diversity*. And an integral part of making the world safe for religious diversity is establishing and maintaining a secular, non-religious state, which is where we encounter the emphasis on political economy and the quest for economic growth and prosperity. But economic life does not dispose of the issue of cruelty, but merely moves it into the secular realm of political economy, where we meet up with one of the most significant and long-lasting aspects of human life—the perpetual struggle between the rich and the poor.

But by the standard of Locke's humanization of labor, the customary domination of the poor by the rich changes from acceptable to unacceptable, which is one of the reasons for the liberal prohibition against absolute power, which liberalism regards as dehumanizing. Once laborers are no longer treated as subhuman slaves, but as human beings, bearers of rights, including the right not to be subject to absolute power and control. Politics ceases to be a matter of sectarian religious conflict and becomes a secular struggle for material well-being. In this respect, what fundamentally alters the rules of political life is the humanization of labor, as workers now have a human right "to be themselves tolerably well fed, cloathed and lodged. Accordingly, from a liberal sensibility, the commitment to a civil society in which "the far greater part of the members" are kept ignorant, poor, and

miserable, becomes unacceptable cruelty. The continuation of the domination of the poor by the rich, the few by the many, ultimately becomes a rationale for rebellion and/or revolution by the poor against the rich. The class division and class conflict between rich and poor is an issue of great significance in the political writings of Smith and Madison.

What about the widespread belief that liberalism equals *laissez-faire*, that where there is no *laissez-faire*, there is no liberalism? Why do I emphasize this position? Because the rise of *laissez-faire* rhetoric occurred as an antiliberal response to the French Revolution, with the French Revolution inspired by the egalitarian principles of liberalism on display in the writings of Locke and Smith. Invoking the rhetoric of *laissez-faire* was, and continues to be, an expression of fear motivated by the belief that the egalitarian ideals of both liberalism and democracy, if left unchecked, would establish a government dedicated "to taking from the rich to give to the poor. The adoption of the rhetoric of *laissez-faire* became a means of protecting the wealth and property of the rich from those who claim to represent the rights and interests of the poor. Invoking the rhetoric of *laissez-faire* was an ideological weapon used by the rich to protect their wealth, property, and status by demanding "no government interference in the economy," that is actually a demand that a liberal or liberal-democratic state leave the wealth and property of the rich alone, concealing this aim behind a rhetoric that made it appear that *laissez-faire* opposed all state intervention in the economy, even though *laissez-faire* rhetoric was itself a form of government interference in the economy undertaken for the sake of protecting the rights and interests of the few from the political power of the poor, i.e., democracy.

The most serious error committed by vast numbers of people, scholars and non-scholars alike, is the presumption, largely influenced by Marx's treatment of liberalism as the ideology of a capitalist political economy devoted to creating and maintaining working class poverty and misery. In other words, Marx, and practically everyone else, Left or Right, *misidentified* liberalism with the exploitation and oppression of laborers, which distorts liberalism by associating it with the dehumanization of labor when, in fact, liberalism represents *the humanization of labor*, the repudiation of the dehumanization of workers. To identify liberalism with *laissez-faire* is, in fact, the melding together of phenomena that are antithetical to one another. The great mistake of scholars of all kinds is to identify the antiliberalism of *laissez-faire* as the centerpiece of liberalism, which represents the rights and interests of workers by virtue of humanizing

labor, so that liberalism represents the assertion that workers are human beings, bearers of human rights, including the right "to be themselves tolerably well fed, cloathed and lodged." This is the exact opposite of the aims of those who invoked the rhetoric of laissez-faire, who wished to maintain a political economy based on working class poverty and misery.

According to the historian John Gray:

*Nineteenth-century Europe, and especially nineteenth-century England, may with good reason be regarded as exemplifying the historical paradigm of a liberal civilization . . . Many other writers have seen in nineteenth-century England a golden age of liberal theory and practice . . . [so] that nineteenth century England was in large governed by the precepts of classical liberalism, cannot be denied.*¹⁷⁸

Gray continues: "By the time of the 1880s and 1890s, and certainly at the turn of the century, even the imperfect classical liberal outlook of Mill was being supplanted by revisionist liberal ideas often inspired by Hegelian philosophy."¹⁷⁹ To which we must add the formulation of E. H. Carr:

*"There is no more fascinating theme in contemporary history then to follow the stages through which the laissez-faire 'night-watchman state' of the nineteenth century turned into the 'welfare state of today'—at one and the same time its logical opposite and its logical corollary."*¹⁸⁰

The so-called "laissez-faire 'night-watchman state' of the nineteenth century" is identified as the original liberalism, the "old liberalism," "classical liberalism," which, by rejecting working class demands to liberate themselves from poverty and misery actually rejects liberalism, which insists that workers have a human right not to be poor and miserable.

This means that the nineteenth century was not a "golden age of liberalism" because so long as workers remained poor and miserable this was linked to the antiliberalism of the men and women who invoked the rhetoric of laissez-faire. The so-called age of laissez-faire was the age of antiliberalism and remained so until the end of the nineteenth century. Liberalism comes in only one form, that based on the humanization of labor, the liberalism we now identify with the modern welfare state. There was no transformation of one kind of liberalism to another, different kind of liberalism, there is no dualistic division of liberalism into a noninterventionist liberalism and an interventionist liberalism, for laissez-

faire is the public face of antiliberalism. This is why invoking the rhetoric of laissez-faire is intended as a means of preventing the democratic "rule of the poor" from "confiscating" the wealth and property of the rich, a conflict between rich and poor, oligarchy and democracy, that has been on-going for a few thousand years:

The mid-nineteenth century apotheosis of classical liberalism in England and America, known as the age of laissez faire, coexisted with severe social dislocation, terrible work conditions, and widespread poverty. Intense pressure was generated for reform, heightened when (later in the century) the working class was given the right to vote, heightened further by the lurking specter of the overthrow of liberal capitalism in favor of socialism. Liberalism, critics charged, applied the coercive power of law in favor of the owners of property at the expense of wage earners. Liberal thinkers, notably John Stuart Mill, moved by the visibly harsh consequences of liberalism as well as by the fear of forced revolutionary change if nothing was done, began to advocate the modification of doctrinaire liberal precepts to ameliorate its more painful consequences. This movement gave rise to a new "social liberalism"—a near oxymoron at the time—which gained momentum toward the end of the 19th century.¹⁸¹

The reference to "severe dislocation, terrible work conditions and widespread poverty" characteristic of mid-nineteenth century England was neither natural nor accidental, but the deliberate result of policies that enriched the few and impoverished the many. In this regard, the appropriate contrast is between the exercise of "the coercive power of law in favor of the owners of property at the expense of wage earners," and the exercise of the coercive power of law to promote the interests of the "wage earners" resulting from the democratization of politics. The fear that democracy would lead to socialism was based on a reaction to Marx's prophecy that democracy will lead to socialism.

The crucial point is this:

"Laissez-faire, however, opposes any re-distribution of wealth by the government, and there gives a distinct advantage to middle and upper class people who are wealthy. In fact, by opposing any government intervention in

*the economy, the laissez-faire ideology assures the security of the wealthy and justifies the unwillingness of the wealthy to share their wealth.*¹⁸²

The refusal to intervene to redistribute wealth is intervention to protect the wealth and property of the rich. When more positive intervention is needed to accomplish the same end, then the rhetoric of laissez-faire is not invoked, as when the legislature intervenes to repeal legislation that promotes the interests of workers. A decision not to intervene is a decision to intervene by not intervening.

Our ability to properly understand liberalism is obstructed by the widespread and longstanding practice of conceptualizing liberalism almost entirely in economic terms: "A society in which liberal principles are put into effect is usually called a capitalist society, and the condition of that society, capitalism" These are the words of von Mises, who insists that liberalism is capitalism and capitalism is liberalism, both identified with the theory and practice of laissez-faire. The significance of this conception of liberalism as a capitalist political economy consists in the awareness that the originator of this "liberalism equals capitalism" reasoning was Karl Marx, which ought to sensitize us to the enormous extent that anti-Marxist libertarians like von Mises, Hayek, Friedman, Buchanan, etc., view reality through the ideological lens of Marx's critique of capitalism.

There is an important point to be made. Locke and Smith, and, as we shall see, also David Hume and James Madison, provide liberalism with the moral commitment that presupposes the humanization of labor that, by humanizing labor, makes it possible to conclude that because laborers are human beings, they have a human right not to be poor and miserable. In Hume's words:

Every person, if possible, ought to enjoy the fruits of his labour, in a full possession of all the necessaries, and many of the conveniences of life. No one can doubt, but such an equality is most suitable to human nature and diminishes much less from the happiness of the rich than it adds to that of the poor.¹⁸³

In other words, workers have a right not to be poor and miserable. But any attempt to translate Smith's ideas into practice, as a matter public policy, was obstructed by the turmoil associated with the British reaction to the French Revolution.

**"TO BE THEMSELVES
TOLERABLY WELL FED,
CLOATHED AND LODGED":**



**LIBERALISM,
THE HUMANIZATION
OF LABOR, AND
ADAM SMITH'S
PROTEST AGAINST
THE INJUSTICE OF
WORKING CLASS
POVERTY AND MISERY**

JULES STEINBERG

*The significance of the humanization of labor on Adam Smith's liberal conception of political economy. An explanation of why there is no such thing as "laissez-faire liberalism" because Adam Smith does not propose a laissez-faire policy in *The Wealth of Nations*. The rationale for the rhetoric of laissez-faire is the fear of liberal egalitarianism..*

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