

# **Hans-Hermann Hoppe: Natural Elites, Intellectuals, and the State**

## Introduction

A state is a territorial monopolist of compulsion, an agency which may engage in continual, institutionalized property rights violations and the exploitation of private property owners through expropriation, taxation, and regulation.

But how do states come into existence? There are two theories on the origin of states. One view is associated with names such as Franz Oppenheimer, Alexander Rüstow, and Albert Jay Nock, and claims that states originated as the result of the military conquest of one group by another. This is the theory of the exogenous origin of the state.

But this view has been severely criticized on historical as well as theoretical grounds by ethnographers and anthropologists such as Wilhelm Muehlmann. These critics point out that not all states originated from external conquest. Indeed, critics consider the view that the very first states were the result of nomadic herdsmen superimposing themselves on settled farmers as chronologically false. Moreover, this view suffers theoretically from the problem that conquest itself seems to presuppose a state-like organization among the conquerors. Hence, the exogenous origin of states requires a more fundamental theory of the endogenous origin of the state.

Such a theory has been presented by Bertrand de Jouvenel. According to his view, states are the outgrowth of natural elites: the natural outcome of voluntary transactions between private property owners is non-egalitarian, hierarchical, and elitist. In every society, a few individuals acquire the status of an elite through talent. Due to superior achievements of wealth, wisdom, and bravery, these individuals come to possess natural authority, and their opinions and judgments enjoy wide-spread respect. Moreover, because of selective mating, marriage, and the laws of civil and genetic inheritance, positions of natural authority are likely to be passed on within a few noble families. It is to the heads of these families with long-established records of superior achievement, farsightedness, and exemplary personal conduct that men turn with their conflicts and complaints against each other. These leaders of the natural elite act as judges and peacemakers, often free of charge out of a sense of duty expected of a person of authority or out of concern for civil justice as a privately produced "public good."

The small but decisive step in the transition to a state consists precisely of the monopolization of the function of judge and peacemaker. This occurred once a single member of the voluntarily acknowledged natural elite was able to insist, despite the opposition of other members of the elite, that all conflicts within a specified territory be brought before him. Conflicting parties could no longer choose any other judge or peacemaker.

## Origin of Monarchy

Once the origin of a state is seen as the outgrowth of a prior, hierarchically structured order of natural elites, it becomes clear why mankind, insofar as it was subject to government at all, has been under monarchical (rather than democratic) rule for most of its history. There have been exceptions, of course: Athenian democracy, Rome until 31 BC, the republics of Venice, Florence, and Genoa during the Renaissance, the Swiss cantons since 1291, the United Provinces (the Netherlands) from 1648 until 1673, and England under Cromwell. But these were rare occurrences, and none of them remotely resembled modern, one-man-one-vote democratic systems. Rather, they too were highly elitist. In Athens, for instance, no more than 5% of the population voted and was eligible for positions of rulership. It was not until after the end of World War I that mankind truly left the monarchical age.

## Power Monopolized

From the moment when a single member of the natural elite successfully monopolized the function of judge and peacemaker, law and law enforcement became more expensive. Instead of

being offered free of charge or in exchange for voluntary payment, it was financed by a compulsory tax. At the same time, the quality of law deteriorated. Rather than upholding ancient private property laws and applying universal and immutable principles of justice, a monopolistic judge, who did not have to fear losing clients as the result of being less than impartial, would pervert the existing law to his own advantage.

How was this small yet decisive step of monopolizing law and order by a king, which predictably led to higher prices and a lower quality of justice, possible? Certainly, other members of the natural elite would resist any such attempt. Yet this is why the eventual kings typically aligned themselves with the "people" or the "common man." Appealing to the always popular sentiment of envy, kings promised the people cheaper and better justice in exchange for and at the expense of taxing — cutting down to size — their own betters (the king's competitors.) Second, kings enlisted the help of the class of intellectuals.

## Role of Intellectuals

The demand for intellectual services could be expected to grow with increasing standards of living. However, most people are concerned with rather earthly and mundane affairs, and have little use for intellectual endeavors. Apart from the Church, the only people with a demand for the services of intellectuals were members of the natural elite — as teachers for their children, personal advisors, secretaries, and librarians. Employment for intellectuals was precarious and payment typically low. Furthermore, while the members of the natural elite were only rarely intellectuals themselves (i.e., people spending all of their time on scholarly pursuits) but were instead people concerned with the conduct of earthly enterprises, they were typically at least as bright as their intellectual employees, so the esteem for the achievements of "their" intellectuals was only modest.

It is hardly surprising, then, that intellectuals, suffering from a greatly inflated self-image, resented this fact. How unjust that those — the natural elites — who were taught by them were actually their superiors and led a comfortable life while they — the intellectuals — were comparatively poor and dependent. It is also no wonder that intellectuals could be won over easily by a king in his attempt to establish himself as the monopolist of justice. In exchange for their ideological justification of monarchical rule, the king could not only offer them better and higher-status employment, but as royal court intellectuals they finally could pay the natural elites back for their lack of respect.

Still, the improvement of the position of the intellectual class was only moderate. Under monarchical rule, there was a clear-cut distinction between the ruler (the king) and the ruled, and the ruled knew that they could never become ruler. Accordingly, there was considerable resistance not only by the natural elites but also by the common people against any increase in the king's power. It was thus extremely difficult for the king to raise taxes, and the employment opportunities for intellectuals remained highly limited. In addition, once safely entrenched, the king did not treat his intellectuals much better than did the natural elites. And given that a king controlled larger territories than natural elites ever did, to fall out of his favor was even more dangerous and made the intellectuals' position in some ways more capricious.

An inspection of the biographies of leading intellectuals — from Shakespeare to Goethe, from Descartes to Locke, from Marx to Spencer — shows roughly the same pattern: until well into the 19th century, their work was sponsored by private donors, members of the natural elite, princes, or kings. Falling in or out of favor with their sponsors, they frequently changed employment and were geographically highly mobile. While this often meant financial insecurity, it contributed not only to a unique cosmopolitanism of intellectuals (as indicated by their proficiency in numerous languages,) but also to an unusual intellectual independence. If one donor or sponsor no longer supported them, many others existed who would happily fill the gap. Indeed, intellectual and cultural life flourished the most, and the independence of intellectuals was the greatest, where the position of the king or the central government was relatively weak and that of the natural elites had remained relatively strong.

## Rise of Democracy

A fundamental change in the relationship between the state, natural elites, and intellectuals only occurred with the transition from monarchical to democratic rule. It was the inflated price of justice and the perversions of ancient law by kings as monopolistic judges and peacekeepers that motivated the historical opposition against monarchy. But confusion as to the causes of this phenomenon prevailed. There were those who recognized correctly that the problem was with monopoly, not with elites or nobility. However, they were far outnumbered by those who erroneously blamed the elitist character of the ruler for the problem, and who advocated maintaining the monopoly of law and law enforcement and merely replacing the king and the highly visible royal pomp with the "people" and the presumed decency of the "common man." Hence the historic success of democracy.

How ironic that monarchism was destroyed by the same social forces that kings had first stimulated and enlisted when they began to exclude competing natural authorities from acting as judges: the envy of the common men against their betters, and the desire of the intellectuals for their allegedly deserved place in society. When the king's promises of better and cheaper justice turned out to be empty, intellectuals turned the egalitarian sentiments the kings had previously courted against the monarchical rulers themselves. Accordingly, it appeared logical that kings, too, should be brought down and that the egalitarian policies, which monarchs had initiated, should be carried through to their ultimate conclusion: the monopolistic control of the judiciary by the common man. To the intellectuals, this meant by them, as the people's spokesmen.

As elementary economic theory could predict, with the transition from monarchical to democratic one-man-one-vote rule and the substitution of the people for the king, matters became worse. The price of justice rose astronomically while the quality of law constantly deteriorated. For what this transition boiled down to was a system of private government ownership — a private monopoly — being replaced by a system of public government ownership — a publicly owned monopoly.

A "tragedy of the commons" was created. Everyone, not just the king, was now entitled to try to grab everyone else's private property. The consequences were more government exploitation (taxation); the deterioration of law to the point where the idea of a body of universal and immutable principles of justice disappeared and was replaced by the idea of law as legislation (made, rather than found and eternally "given" law); and an increase in the social rate of time preference (increased present-orientation).

A king owned the territory and could hand it on to his son, and thus tried to preserve its value. A democratic ruler was and is a temporary caretaker and thus tries to maximize current government income of all sorts at the expense of capital values, and thus wastes.

Here are some of the consequences: during the monarchical age before World War I, government expenditure as a percent of GNP was rarely higher than 5%. Since then it has typically risen to around 50%. Prior to World War I, government employment was typically less than 3% of total employment. Since then it has increased to between 15 and 20%. The monarchical age was characterized by a commodity money (gold) and the purchasing power of money gradually increased. In contrast, the democratic age is the age of paper money whose purchasing power has permanently decreased.

Kings went deeper and deeper into debt, but at least during peacetime they typically reduced their debt load. During the democratic era government debt has increased in war and in peace to incredible heights. Real interest rates during the monarchical age had gradually fallen to somewhere around 2½%. Since then, real interest rates (nominal rates adjusted for inflation) have risen to somewhere around 5% — equal to 15th-century rates. Legislation virtually did not exist until the end of the 19th century. Today, in a single year, tens of thousands of laws and regulations are passed. Savings rates are declining instead of increasing with increasing incomes, and indicators of family disintegration and crime are moving constantly upward.

## Fate of Natural Elites

While the state fared much better under democratic rule, and while the "people" have fared much worse since they began to rule "themselves," what about the natural elites and the intellectuals? As regards the former, democratization has succeeded where kings made only a modest beginning: in the ultimate destruction of the natural elite and nobility. The fortunes of the great families have dissipated through confiscatory taxes, during life and at the time of death. These families' tradition of economic independence, intellectual farsightedness, and moral and spiritual leadership have been lost and forgotten.

Rich men exist today, but more frequently than not they owe their fortunes directly or indirectly to the state. Hence, they are often more dependent on the state's continued favors than many people of far-lesser wealth. They are typically no longer the heads of long-established leading families, but "nouveaux riches." Their conduct is not characterized by virtue, wisdom, dignity, or taste, but is a reflection of the same proletarian mass-culture of present-orientation, opportunism, and hedonism that the rich and famous now share with everyone else. Consequently — and thank goodness — their opinions carry no more weight in public opinion than most other people's.

Democracy has achieved what Keynes only dreamt of: the "euthanasia of the rentier class." Keynes's statement that "in the long run we are all dead" accurately expresses the democratic spirit of our times: present-oriented hedonism. Although it is perverse not to think beyond one's own life, such thinking has become typical. Instead of ennobling the proletarians, democracy has proletarianized the elites and has systematically perverted the thinking and judgment of the masses.

## Fate of Intellectuals

On the other hand, while the natural elites were being destroyed, intellectuals assumed a more prominent and powerful position in society. Indeed, to a large extent they have achieved their goal and have become the ruling class, controlling the state and functioning as monopolistic judge.

This is not to say that democratically elected politicians are all intellectuals (although there are certainly more intellectuals nowadays who become president than there were intellectuals who became king.) After all, it requires somewhat different skills and talents to be an intellectual than it does to have mass-appeal and be a successful fundraiser. But even the non-intellectuals are the products of indoctrination by tax-funded schools, universities, and publicly employed intellectuals, and almost all of their advisors are drawn from this pool.

There are almost no economists, philosophers, historians, or social theorists of rank employed privately by members of the natural elite. And those few of the old elite who remain and who might have purchased their services can no longer afford intellectuals financially. Instead, intellectuals are now typically public employees, even if they work for nominally private institutions or foundations. Almost completely protected from the vagaries of consumer demand ("tenured"), their number has dramatically increased and their compensation is on average far above their genuine market value. At the same time the quality of their intellectual output has constantly fallen.

What you will discover is mostly irrelevance and incomprehensibility. Worse, insofar as today's intellectual output is at all relevant and comprehensible, it is viciously statist. There are exceptions, but if practically all intellectuals are employed in the multiple branches of the state, then it should hardly come as a surprise that most of their ever-more voluminous output will, either by commission or omission, be statist propaganda. There are more propagandists of democratic rule around today than there were ever propagandists of monarchical rule in all of human history.

This seemingly unstoppable drift toward statism is illustrated by the fate of the so-called Chicago School: Milton Friedman, his predecessors, and his followers. In the 1930s and 1940s, the Chicago School was still considered left-fringe, and justly so, considering that Friedman, for

instance, advocated a central bank and paper money instead of a gold standard. He wholeheartedly endorsed the principle of the welfare state with his proposal of a guaranteed minimum income (negative income tax) on which he could not set a limit. He advocated a progressive income tax to achieve his explicitly egalitarian goals (and he personally helped implement the withholding tax). Friedman endorsed the idea that the State could impose taxes to fund the production of all goods that had a positive neighborhood effect or which he thought would have such an effect. This implies, of course, that there is almost nothing that the state can not tax-fund!

In addition, Friedman and his followers were proponents of the shallowest of all shallow philosophies: ethical and epistemological relativism. There is no such thing as ultimate moral truths and all of our factual, empirical knowledge is at best only hypothetically true. Yet they never doubted that there must be a state, and that the state must be democratic.

Today, half a century later, the Chicago-Friedman school, without having essentially changed any of its positions, is regarded as right-wing and free-market. Indeed, the school defines the borderline of respectable opinion on the political Right, which only extremists cross. Such is the magnitude of the change in public opinion that public employees have brought about.

Consider further indicators of the statist deformation brought about by the intellectuals. If one takes a look at election statistics, one will by and large find the following picture: the longer a person spends in educational institutions, someone with a PhD, for instance, as compared to someone with only a BA, the more likely it is that this person will be ideologically statist and vote Democrat. Moreover, the higher the amount of taxes used to fund education, the lower SAT scores and similar measurements of intellectual performance will fall, and I suspect even further will the traditional standards of moral behavior and civil conduct decline.

Or consider the following indicator: in 1994 it was called a "revolution" and Speaker of the House, Newt Gingrich, was called a "revolutionary" when he endorsed the New Deal and Social Security, and praised civil rights legislation, i.e., the affirmative action and forced integration which is responsible for the almost complete destruction of private property rights, and the erosion of freedom of contract, association, and disassociation. What kind of a revolution is it where the revolutionaries have wholeheartedly accepted the statist premises and causes of the present disaster? Obviously, this can only be labeled a revolution in an intellectual environment that is statist to the core.

## History & Ideas

The situation appears hopeless, but it is not so. First, it must be recognized that the situation can hardly continue forever. The democratic age can hardly be "the end of history," as the neoconservatives want us to believe, for there is also an economic side to the process.

Market interventions will inevitably cause more of the problems they are supposed to cure, which leads to more and more controls and regulations until we finally reach full-blown socialism. If the current trend continues, it can safely be predicted that the democratic welfare state of the West will eventually collapse as did the "people's republics" of the East in the late 1980s. For decades, real incomes in the West have stagnated or even fallen. Government debt and the cost of the "social insurance" schemes have brought on the prospect of an economic meltdown. At the same time, social conflict has risen to dangerous heights.

Perhaps one will have to wait for an economic collapse before the current statist trend changes. But even in the case of a collapse, something else is necessary. A breakdown would not automatically result in a roll-back of the State. Matters could become worse.

In fact, in recent Western history, there are only two clear-cut instances where the powers of the central government were actually reduced, even if only temporarily, as the result of a catastrophe: in West Germany after World War II under Ludwig Erhard, and in Chile under General Pinochet. What is necessary, besides a crisis, is ideas — correct ideas — and men capable of understanding and implementing them once the opportunity arises.

But if the course of history is not inevitable (and it is not) then a catastrophe is neither necessary nor unavoidable. Ultimately, the course of history is determined by ideas, be they true or false, and by men acting upon and being inspired by true or false ideas. Only so long as false ideas rule is a catastrophe unavoidable. On the other hand, once correct ideas are adopted and prevail in public opinion — and ideas can, in principle, be changed almost instantaneously — a catastrophe will not have to occur at all.

## Role of Intellectuals

This brings me to the role intellectuals must play in the necessary radical and fundamental change in public opinion, and the role that members of the natural elites, or whatever is left of them, will also have to play. The demands on both sides are high, yet as high as they are, to prevent a catastrophe or to emerge successfully from it, these demands will have to be accepted by both as their natural duty.

Even if most intellectuals have been corrupted and are largely responsible for the present perversities, it is impossible to achieve an ideological revolution without their help. The rule of the public intellectuals can only be broken by anti-intellectual intellectuals. Fortunately, the ideas of individual liberty, private property, freedom of contract and association, personal responsibility and liability, and government power as the primary enemy of liberty and property, will not die out as long as there is a human race, simply because they are true and the truth supports itself. Moreover, the books of past thinkers who expressed these ideas will not disappear. However, it is also necessary that there be living thinkers who read such books and who can remember, restate, reapply, sharpen, and advance these ideas, and who are capable and willing to give them personal expression and openly oppose, attack, and refute their fellow intellectuals.

Of these two requirements — intellectual competency and character — the second is the more important, especially in these times. From a purely intellectual point of view, matters are comparatively easy. Most of the statist arguments that we hear day in and out are easily refuted as more or less economic nonsense. It is also not rare to encounter intellectuals who in private do not believe what they proclaim with great fanfare in public. They do not simply err. They deliberately say and write things they know to be untrue. They do not lack intellect; they lack morals. This in turn implies that one must be prepared not only to fight falsehood but also evil — and this is a much more difficult and daring task. In addition to better knowledge, it requires courage.

As an anti-intellectual intellectual, one can expect bribes to be offered — and it is amazing how easily some people can be corrupted: a few hundred dollars, a nice trip, a photo-op with the mighty and powerful are all too often sufficient to make people sell out. Such temptations must be rejected as contemptible. Moreover, in fighting evil, one must be willing to accept that one will probably never be "successful." There are no riches in store, no magnificent promotions, no professional prestige. In fact, intellectual "fame" should be regarded with utmost suspicion.

Indeed, not only does one have to accept that he will be marginalized by the academic establishment, but he will have to expect that his colleagues will try almost anything to ruin him. Just look at Ludwig von Mises and Murray N. Rothbard. The two greatest economists and social philosophers of the 20th century were both essentially unacceptable and unemployable by the academic establishment. Yet throughout their lives, they never gave in, not one inch. They never lost their dignity or even succumbed to pessimism. On the contrary, in the face of constant adversity, they remained undaunted and even cheerful, and worked at a mind-boggling level of productivity. They were satisfied in being devoted to the truth and nothing but the truth.

## Role of Natural Elites

It is here that what is left of the natural elites comes into play. True intellectuals, like Mises and Rothbard, can not do what they need to do without the natural elites. Despite all obstacles, it was possible for Mises and Rothbard to make themselves heard. They were not condemned to silence. They still taught and published. They still addressed audiences and inspired people with their

insights and ideas. This would not have been possible without the support of others. Mises had Lawrence Fertig and the William Volker Fund, which paid his salary at NYU, and Rothbard had The Ludwig von Mises Institute, which supported him, helped publish and promote his books, and provided the institutional framework that allowed him to say and write what needed to be said and written, and that can no longer be said and written inside academia and the official, statist establishment media.

Once upon a time, in the pre-democratic age, when the spirit of egalitarianism had not yet destroyed most men of independent wealth and independent minds and judgments, this task of supporting unpopular intellectuals was taken on by individuals. But who can nowadays afford, single-handedly, to employ an intellectual privately, as his personal secretary, advisor, or teacher of his children? And those who still can are more often than not deeply involved in the ever more corrupt big government-big business alliance, and they promote the very same intellectual cretins who dominate statist academia. Just think of Rockefeller and Kissinger, for instance.

Hence, the task of supporting and keeping alive the truths of private property, freedom of contract and association and disassociation, personal responsibility, and of fighting falsehoods, lies, and the evil of statism, relativism, moral corruption, and irresponsibility can nowadays only be taken on collectively by pooling resources and supporting organizations like the Mises Institute, an independent organization dedicated to the values underlying Western civilization, uncompromising and far removed even physically from the corridors of power. Its program of scholarships, teaching, publications, and conferences is nothing less than an island of moral and intellectual decency in a sea of perversion.

To be sure, the first obligation of any decent person is to himself and his family. He should — in the free market — make as much money as he possibly can, because the more money he makes, the more beneficial he has been to his fellow man.

But that is not enough. An intellectual must be committed to the truth, whether or not it pays off in the short run. Similarly, the natural elite have obligations that extend far beyond themselves and their families.

The more successful they are as businessmen and professionals, and the more others recognize them as successful, the more important it is that they set an example: that they strive to live up to the highest standards of ethical conduct. This means accepting as their duty, indeed as their noble duty, to support openly, proudly, and as generously as they possibly can the values that they have recognized as right and true.

They receive in return intellectual inspiration, nourishment, and strength, as well as the knowledge that their name will live forever as outstanding individuals who rose above the masses and made a lasting contribution to mankind.

The Ludwig von Mises Institute can be a mighty institution, a model for the restoration of genuine learning, and a near university of teaching and scholarship. Even if we do not see our ideas triumph during our lifetime, we will know and be eternally proud that we gave it our all, and that we did what every honest and noble person had to do.