

FROM ARISTOCRACY  
TO MONARCHY  
TO DEMOCRACY

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A TALE OF MORAL AND ECONOMIC  
FOLLY AND DECAY

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A TALE OF MORAL AND ECONOMIC  
FOLLY AND DECAY

HANS-HERMANN HOPPE

MISESINSTITUTE

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AUBURN, ALABAMA

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Auburn, Ala. 36832  
[mises.org](http://mises.org)

ISBN: 978-1-61016-592-1

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# INTRODUCTION

HANS-HERMANN HOPPE IS a master of theoretical history. He tells us that

it is not my purpose here to engage in standard history, i.e., history as it is written by historians, but to offer a logical or sociological reconstruction of history, informed by actual historical events, but motivated more fundamentally by theoretical — philosophical and economic — concerns.

The work of Carl Menger and Ludwig von Mises on the commodity origin of money is a prime example of what Hoppe has in mind.

In carrying out his illuminating project, Hoppe finds himself in opposition to the dominant way of looking at the evolution of government. According to this perspective,

government has over the centuries become ever more democratic. Rule by the people is the final form of government; once it has been reached, history, at least as far as government is concerned, has ended.<sup>1</sup> This historical movement, further, is a “good thing.” It is the triumph of freedom. History is the story of progress.

Hoppe is not a complete pessimist like the “Gloomy Dean” W.R. Inge, who, in his famous Romanes Lecture of 1920, denounced “the superstition of progress.” To the contrary, Hoppe thinks that in economic life, the Industrial Revolution enabled mankind to achieve an unprecedented level of prosperity.

In government, though, matters are entirely different, and here Hoppe is a firm opponent of progressive orthodoxy. For him, rather, history in this area is a tale of a fall — not from the Garden of Eden but rather from a reasonable way of settling disputes.

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<sup>1</sup>Francis Fukuyama, *The End of History and the Last Man* (Free Press, 2006), is a classic statement of the progressive doctrine of the evolution of government to democracy.



How would real, rational, peace-seeking people have solved the problem of social conflict? ... What people would most likely accept as a solution, then, is this: Everyone is, first off or *prima facie*, presumed to be owner — endowed with the right of exclusive control — of all those goods he already, in fact, and so far undisputed, controls and possesses. This is the starting point. As their possessor, he has, *prima facie*, a better claim to the things in question than anyone else who does not possess these goods — and consequently, if someone else interferes with the possessor's control of such goods, then this person is *prima facie* in the wrong and the burden of proof, that is to show otherwise, is on him. However, as the last qualification already shows, present possession is not sufficient to be in the right.

Hoppe assumes that everyone agrees on the appropriate principles for settling property disputes:

The criteria, the principles, employed in deciding between a present controller and possessor of something and the claims of another person are clear then, and it can be safely assumed that universal agreement

among real people will be reached regarding them.

To reiterate, Hoppe sees property as antecedent to the state; people in a “state of nature” will rationally agree on the appropriate principles.<sup>2</sup>

The fact that people agree in this way does not solve all problems. Principles must still be applied to concrete issues; and here arises the likelihood of disputes. If people dispute property titles, what is to be done? Hoppe suggests that people would gravitate toward certain “natural leaders” deemed trustworthy to decide cases in an unbiased way:

In order to settle their conflicts and to have the settlement lastingly recognized and respected by others, they will turn to natural authorities, to members of the natural aristocracy, to nobles and kings. What I mean ... is simply this: In every society of some minimal degree of complexity, a few individuals acquire the status of a natural elite. Due to superior achievements of

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<sup>2</sup>Anthony de Jasay has made similar claims. See, e.g., his *Against Politics* (London: Routledge, 1997).

wealth, wisdom, bravery, or a combination thereof, some individuals come to possess more authority than others and their opinion and judgment commands widespread respect.

Hoppe here shows himself to be a true Jeffersonian. In a letter to John Adams, written on October 28, 1813, Jefferson said:

I agree with you that there is a natural aristocracy among men. The grounds of this are virtue and talents. ... The natural aristocracy I consider as the most precious gift of nature, for the instruction, the trusts, and government of society. And indeed, it would have been inconsistent in creation to have formed man for the social state, and not to have provided virtue and wisdom enough to manage the concerns of the society.<sup>3</sup>

Is the process Hoppe has set forward more than just speculation? Hoppe looks to feudal Europe for confirmation of his line of thought.

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<sup>3</sup>For Jefferson's letter, see <http://www.greatbooks.org/resources/publications/guides00/the-natural-aristocracy-by-thomas-jefferson/>

Feudal lords could only “tax” with the consent of the taxed, and on his own land, every free man was as much of a sovereign, i.e., the ultimate decision maker, as the feudal king was on his. ... The king was below and subordinate to the law. ... This law was considered ancient and eternal. “New” laws were routinely rejected as not laws at all. The sole function of the medieval king was that of applying and protecting “good old law.”

An obvious objection is likely to occur to readers, but Hoppe is ready for it: What Hoppe has described is a Utopia “that never was, on sea or land.” The Middle Ages were in fact a period of large scale oppression. Hoppe replies,

I only claim that this [feudal] order approached a natural order through (a) the supremacy of and the subordination of everyone under *one* law, (b) the absence of any law-*making* power, and (c) the lack of any legal *monopoly* of judgeship and conflict arbitration. And I would claim that this system could have been perfected and retained virtually unchanged through the inclusion of serfs into the system.

Unfortunately, matters did not develop in this happy way. Instead, kings seized more

and more power. They claimed to have final authority, rejecting appeals to competing authority within the territories they controlled. Hoppe finds it easy to understand why kings might endeavor to arrogate such power to themselves, but another question is at first puzzling. How were the kings able to succeed in their grasp for absolute power? Why did not the partisans of the old aristocratic order thwart them?

Hoppe offers a two-part answer to this mystery. First, the king allied with the people against the aristocracy.

He appealed to the always and everywhere popular sentiment of envy among the “underprivileged” against their own “betters” and “superiors,” their lords. He offered to free them of their contractual obligations *vis-à-vis* their lords, to make them owners rather than tenants of their holdings, for instance, or to “forgive” their debts to their creditors, and could so corrupt the public sense of justice sufficiently to render the aristocratic resistance against his coup futile.

In this grasp for power, the king had the aid of the “court intellectuals.” They propagandized on behalf of the king, supporting

the thesis that the king represented the people.

The demand for intellectual services is typically low, and intellectuals, almost congenitally, suffer from a greatly inflated self-image and hence are always prone to and become easily avid promoters of envy. The king offered them a secure position as court intellectuals and they returned the favor and produced the necessary ideological support for the king's position as absolute ruler.

How did the court intellectuals carry out their malign mission? They did so by promoting a twofold myth. Society began in a war of all against all. To escape this condition, people voluntarily contracted with an absolute ruler. In that way, they could escape chaotic disorder.

Hoppe firmly rejects both parts of this story, as should by now be abundantly evident. Society begins, not in a Hobbesian state of nature, but rather with people's mutual recognition of rights; and there was no contract giving power to the king.

With help of the court intellectuals, monarchs in Europe gained the absolute power they sought; but the appeal to the people

eventually proved their undoing. The myth of the contract helped to transform the absolute monarchy into a constitutional one; and this transition Hoppe by no means regards as progress. Constitutions “formalized and codified” the king’s right to legislate and to tax.

Constitutional monarchy eventually ceased to satisfy the intellectuals.

Ironically, the very forces that elevated the feudal king first to the position of absolute and then of constitutional king: the appeal to egalitarian sentiments and the envy of the common man against his betters ... also helped bring about the king’s own downfall and paved the way to another, even greater folly; the transition from monarchy to democracy.

When the king’s promises of better and cheaper justice turned out to be empty and the intellectuals were still dissatisfied with their social rank and position, as was to be predicted, the intellectuals turned the same egalitarian sentiments that the king had previously courted in his battle against his aristocratic competitors against the monarchical ruler himself.

With the help of the intellectuals, rule by the people came to replace monarchy; and,

Hoppe famously argues, this transition is by no means to be celebrated.

To the contrary. Rather than being restricted to princes and nobles, under democracy, privileges come into the reach of everyone: everyone can participate in theft and live off stolen loot if only he becomes a public official.

Democracy then does not end the deprivations of absolute monarchy but in fact increases them.

Yet a king, because he “owns” the monopoly and may sell and bequeath his realm to a successor of his choosing, his heir, will care about the repercussions of his actions on capital values.

Here it is necessary to avert a misunderstanding. Hoppe is not a defender of absolute monarchy — far from it. He argues only that democracy as it is today understood is worse than monarchy. But, as is never to be forgotten, monarchy ranks far below the best system, one of private property rights in which respected members of the elite settle disputes.

This essay, thus, is a veritable tour de force. It accepts the standard account of the



evolution of government from feudal aristocracy to monarchy to democracy but precisely reverses the standard valorization of this process.

If Hoppe is no exponent of progress here, though, he does not leave us with a counsel of despair. The democratic State's frenzied finance cannot continue indefinitely; and he finds grounds for hope in a movement toward smaller, decentralized governments.

Economic crisis hits, and an impending meltdown will stimulate decentralizing tendencies, separatist and secessionist movements, and lead to the breakup of empire.

In this way the growth toward Leviathan may be reversed.

This essay provides an ideal introduction to Hans Hoppe's extended account of his political thought in his great work *Democracy: The God That Failed*.<sup>4</sup> Hoppe is one of the most original and important social theorists of our time,

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<sup>4</sup>See my review in *The Mises Review* (Spring 2002). [http://mises.org/misesreview\\_detail.aspx?control=199](http://mises.org/misesreview_detail.aspx?control=199)

and readers will gain a clear understanding of the essence of his ideas about the growth of government.

David Gordon  
Los Angeles, California  
August 2014

# FROM ARISTOCRACY TO MONARCHY TO DEMOCRACY

IN THE FOLLOWING I want to briefly describe a historical puzzle or riddle that I will then try to solve and answer in some detail.

But before that, it is necessary to make a few brief general theoretical observations.

Men do not live in perfect harmony with each other. Rather, again and again conflicts arise between them. And the source of these conflicts is always the same: the scarcity of goods. I want to do  $X$  with a given good  $G$  and you want to do simultaneously  $Y$  with the very same good. Because it is impossible for you and me to do simultaneously  $X$  and  $Y$  with  $G$ , you and I must clash. If a superabundance

of goods existed, i.e., if, for instance, *G* were available in unlimited supply, our conflict could be avoided. We could both simultaneously do 'our thing' with *G*. But most goods do not exist in superabundance. Ever since mankind left the Garden of Eden, there has been and always will be scarcity all-around us.

Absent a perfect harmony of all human interests and given the permanent human condition of scarcity, then, interpersonal conflicts are an inescapable part of human life and a constant threat to peace.

Confronted with conflicts concerning scarce goods, but also endowed with reason or more precisely with the ability to communicate, to discuss and to argue with one another, as the very manifestation of human reason, then, mankind has been and forever will be faced with the question of how to possibly avoid such conflicts and how to peacefully resolve them should they occur.<sup>1</sup>

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<sup>1</sup>Theoretically, all conflicts regarding the use of any good can be avoided, if only every good is always and continuously privately owned, i.e., exclusively controlled, by some specified individual(s) and

Assume now a group of people aware of the reality of interpersonal conflicts and in search of a way out of this predicament. And assume that I then propose the following as a solution: In every case of conflict, including conflicts in which I myself am involved, I will have the last and final word. I will be the ultimate judge as to who owns what and when and who is accordingly right or wrong in any dispute regarding scarce resources. This

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it is always clear which thing is owned, and by whom, and which is not. The interests and ideas of different individuals may then be as different as can be, and yet no conflict arises, insofar as their interests and ideas are concerned always and exclusively with their own, separate property. Conflicts, then, are always conflicts regarding the answer to the question as to who is or is not the private (exclusive) owner of any given good at any given time. And in order to avoid all conflicts from the beginning of mankind on, it must be further always clear how private property is originally established (and here the obvious answer is: by original and thus undisputed appropriation of previously un-owned resources) and how property then can or cannot be transferred from one person to another (obviously: by mutual consent and trading rather than unilateral robbery).

way, all conflicts can be avoided or smoothly resolved.

What would be my chances of finding your or anyone else's agreement to this proposal?

My guess is that my chances would be virtually zero, nil. In fact, you and most people will think of this proposal as ridiculous and likely consider me crazy, a case for psychiatric treatment. For you will immediately realize that under this proposal you must literally fear for your life and property. Because this solution would allow me to cause or provoke a conflict with you and then decide this conflict in my own favor. Indeed, under this proposal you would essentially give up your right to life and property or even any pretense to such a right. You have a right to life and property only insofar as I *grant* you such a right, i.e., as long as I decide to let you live and keep whatever you consider yours. Ultimately, only I have a right to life and I am the owner of all goods.

And yet — and here is the puzzle — this obviously crazy solution is the *reality*. Wherever you look, it has been put into effect in the form of the institution of a State. The State is the ultimate judge in every case of conflict. There is no appeal beyond its verdicts.

If you get into conflicts with the State, with its agents, it is the State and its agents who decide who is right and who is wrong. The State has the right to *tax* you. Thereby, it is the State that makes the decision how much of your property you are allowed to keep — that is, your property is only “fiat” property. And the State can *make* laws, legislate — that is, your entire life is at the mercy of the State. It can even order that you be killed — not in defense of your own life and property but in the defense of the State or whatever the State considers “defense” of its “state-property.”

How, then, and this is the question I want to address at some length now, could such a wondrous, indeed crazy institution come into existence? Obviously, it could not have developed *ab ovo*, spontaneously, as the outcome of rational human deliberation. In fact, historically, it took centuries for this to happen. In the following I want to reconstruct this development in a step-by-step fashion: from the beginnings of a natural, aristocratic social order as it was approached, for instance, although still riddled with many imperfections, during the early European Middle Ages of feudal kings and lords, to and through its

successive displacement by first absolute and then constitutional kings and classic monarchies, which took historic stage from about the seventeenth century on until the early twentieth century, and lastly to and through the successive displacement and final replacement of classic monarchies by democracies (parliamentary republics or monarchies), beginning with the French Revolution and coming into full swing with the end of World War I, since 1918.

While we have learned in school to regard this entire development as progress — no wonder, because history is always written by its victors — I will reconstruct it here as a tale of progressive folly and decay. And to immediately answer a question that will invariably arise in view of this, my revisionist account of history: Yes, the present world is richer than people were in the Middle Ages and the following monarchical age. But that does not show that it is richer *because* of this development. As a matter of fact, as I will demonstrate indirectly in the following, the increase in social wealth and general standards of living that mankind has experienced during this time occurred *in spite* of this development, and the increase of



wealth and living standards would have been far greater if the development in question had *not* taken place.

Again, then: How would real, rational, peace-seeking people have solved the problem of social conflict? And let me emphasize the word “real” here. The people I have in mind, deliberating on this question, are not zombies. They do not sit behind a “veil of ignorance,” *à la* Rawls, unconstrained by scarcity and time. (No wonder Rawls reached the most perverse conclusions from such a premise!) They stand in the middle of life, so to speak, when they begin their deliberations. They are only too familiar with the inescapable fact of scarcity and of time-constraints. They already work and produce. They interact with other workers and producers, and they have already many goods appropriated and put under their physical control, i.e., taken into possession. Indeed, their disputes are invariably disputes about previously undisputed possessions: whether these are to be further respected and the possessor is to be regarded their rightful owner or not.

What people would most likely accept as a solution, then, I suggest, is this: Everyone

is, first-off or *prima facie*, presumed to be the owner — endowed with the right of exclusive control — of all those goods that he already, in fact, and so far undisputed, controls and possesses. This is the starting point. As their possessor, he has, *prima facie*, a better claim to the things in question than anyone else who does not control and does not possess these goods — and consequently, if someone else interferes with the possessor's control of such goods, then this person is *prima facie* in the wrong and the burden of proof, that is to show otherwise, is on him. However, as this last qualification already shows, present possession is not sufficient to be in the right. There is a presumption in favor of the first, actual possessor, and the demonstration of who has actual control or who took first control of something stands always at the beginning of an attempt at conflict resolution (because, to reiterate, every conflict is a conflict between someone who already controls something and someone else who wants to do so instead). But there are exceptions to this rule. The actual possessor of a good is not its rightful owner, if someone else can demonstrate that the good in question had been previously controlled by him and was taken

away from him against his will and consent — that it was stolen or robbed from him — by the current possessor. If he can demonstrate this, then ownership reverts back to him and in the conflict between him and the actual possessor he is judged to be in the right. And the current possessor of some thing is likewise not its owner, if he has only rented the thing in question from someone else for some time and under some stated conditions and this other person can demonstrate this fact by presenting, for instance, a prior rental contract or agreement. And the current possessor of a thing is also not its owner if he worked on behalf of someone else, as his employee, to use or produce the good in question and the employer can demonstrate this to be the fact by, for instance, presenting an employment contract.<sup>2</sup>

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<sup>2</sup>It should be noted that the logical requirements for permanent peace, for the potential avoidance of all conflicts, are met precisely with this solution. It is always clear who provisionally owns what and what to do if rival claims regarding scarce resources exist.

The criteria, the principles, employed in deciding a conflict between a present controller and possessor of something and the rival claims of another person to control the same thing are clear then, and it can be safely assumed that universal agreement among real people can and will be reached regarding them. What is lacking in actual conflicts, then, is not the absence of law, lawlessness, but only the absence of an agreement on the facts. And the need for judges and conflict arbitrators, then, is not a need for law-making, but a need for fact-finding and the application of given law to individual cases and specific situations. Put somewhat differently: the deliberations will result in the insight that laws are not to be made but given to be discovered, and that the task of the judge is only and exclusively that of applying given law to established or to be established facts.

Assuming then a demand on the part of conflicting parties for specialized judges, arbitrators, and peacemakers, not to make law but to apply given law, to whom will people turn to satisfy this demand? Obviously, they will not turn to just anyone, because most people do not have the intellectual ability or

the character necessary to make for a quality-judge and most people's words, then, have no authority and little if any chance of being listened to, respected and enforced. Instead, in order to settle their conflicts and to have the settlement lastingly recognized and respected by others, they will turn to natural authorities, to members of the natural aristocracy, to nobles and kings.

What I mean by natural aristocrats, nobles and kings here is simply this: In every society of some minimum degree of complexity, a few individuals acquire the status of a natural elite. Due to superior achievements of wealth, wisdom, bravery, or a combination thereof, some individuals come to possess more authority than others and their opinion and judgment commands widespread respect. Moreover, because of selective mating and the laws of civil and genetic inheritance, positions of natural authority are often passed on within a few "noble" families. It is to the heads of such families with established records of superior achievement, farsightedness and exemplary conduct that men typically turn with their conflicts and complaints against each other. It is the leaders of the noble families, who generally

act as judges and peace-makers, often free of charge, out of a sense of civic duty. In fact, this phenomenon can still be observed today, in every small community.

Now back to the question as to the likely outcome of a deliberation among real people about how to resolve the ineradicable human problem of interpersonal conflicts. We can easily imagine, for instance, that there will be general agreement that in every case of conflict one will turn to some specific individual, to the head of the most noble of families, a king. But as already indicated, it is unimaginable that there will be agreement that this king can *make* laws. The king will be held to be under and bound by the same law as everyone else. The king is supposed to only apply law, not make it. And to assure this, the king will never be granted a monopoly on his position as judge. It might be the case that everyone does in fact turn to him for justice, i.e., that he has a 'natural' monopoly as ultimate judge and peacemaker. But everyone remains free to select another judge, another noble, if he is dissatisfied with the king. The king has no legal monopoly on his position as judge, that is. If he is found to make law,

instead of just applying it, or if he is found to commit errors in the application of law, i.e., if he misconstrues, misrepresents, or falsifies the facts of a given case, his judgment stands open to be challenged in another noble court of justice, and he himself can there be held liable for his misjudgment. In short, the king may look like the head of a State, but he definitely is not a State but instead part of a natural, vertically and hierarchically structured and stratified social order: an aristocracy.

As I already indicated before, something like this, something resembling an aristocratic natural order had come into existence, for instance, during the early European Middle Ages, during the much-maligned feudal age. Since it is not my purpose here to engage in standard history, i.e., history as it is written by historians, but to offer a logical or sociological reconstruction of history, informed by actual historical events, but motivated more fundamentally by theoretical — philosophical and economic — concerns, I will not spend much time to prove this thesis. I simply refer summarily to a book on this subject by Fritz Kern, *Kingship and Law in the Middle Ages* (originally published in German in 1914), and to

numerous other references given to this effect in my book *Democracy: The God That Failed*. Only this much on the allegedly “dark” age of feudalism and in support of my assertion that the Middle Ages can serve as a rough historical example of what I have just described as a natural order.

Feudal lords and kings could only “tax” with the consent of the taxed, and on his own land, every free man was as much of a sovereign, i.e., the ultimate decision maker, as the feudal king was on his. Without consent, taxation was considered sequestration, i.e., unlawful expropriation. The king was below and subordinate to the law. The king might be a noble, even the noblest person of all, but there were other nobles and not-so-nobles, and all of them, every noble and every free man no less or more than the king himself was subordinate to the same law and bound to protect and uphold this law. This law was considered ancient and eternal. “New” laws were routinely rejected as not laws at all. The sole function of the medieval king was that of applying and protecting “good old law.” The idea of kingship by birthright was absent during early medieval times. To become



king required the consent of those doing the choosing, and every member and every section of the community of electors was free to resist the king if it deemed his actions unlawful. In that case, people were free to abandon the king and seek out a new one.

This brief description of the feudal order or more specifically “allodial” feudalism shall suffice for my purpose. Let me only add this. I do not claim here that this order was perfect, a true natural order, as I have characterized it before. In fact, it was marred by many imperfections, most notably the existence, at many places, of the institution of serfdom (although the burden imposed on serfs then was mild compared to that imposed on today’s modern tax-serfs). I only claim that this order approached a natural order through (a) the supremacy of and the subordination of everyone under *one* law, (b) the absence of any law-making power, and (c) the lack of any legal *monopoly* of judgeship and conflict arbitration. And I would claim that this system could have been perfected and retained virtually unchanged through the inclusion of serfs into the system.

But this is not what happened. Instead, a fundamental moral and economic folly was committed. A territorial monopoly of ultimate judgeship was established and with this the power of law-*making*, and the separation of law from and its subordination to *legislation*. Feudal kings were replaced first by absolute and then by constitutional kings.

Conceptually, the step from a feudal king under the law to an absolute king above the law is a small one. The formerly feudal king only insists that henceforth no one may rightfully choose anyone else but himself as ultimate judge. Until then, the king might have been the only person to whom everyone turned for justice, but others, other nobles in particular, could have acted as judges if only they had wanted to do so and there had been a demand for such services on the part of justice-seekers. Indeed, everyone had been free to engage in self-defense of his person and property and in private self-adjudication and conflict resolution, and the king himself could be held accountable and brought to justice in other courts of justice, i.e., courts not of his own choosing. To prohibit all this and insist instead that all conflicts be subject

to final royal review, then, is no less than a coup, with momentous consequences. As already indicated before, with the monopolization of the function of ultimate judge, the king had become a State and private property had been essentially abolished and replaced by *fiat* property, i.e., by property granted by the king to his subjects. The king could now tax private property instead of having to ask private property owners for subsidies, and he could make laws instead of being bound by unchangeable pre-existing laws. Consequently, slowly but surely law and law-enforcement became more expensive: instead of being offered free of charge or for a voluntary payment, they were financed with the help of a compulsory tax. At the same time, the quality of law deteriorated: Instead of upholding pre-existing law and applying universal and immutable principles of justice, the king, as a monopolistic judge who did not have to fear losing clients as a result of being less than impartial in his judgments, did successively alter the existing law to his own advantage.

Moreover, a new level and quality of violence was introduced into society. To be sure,

violence had characterized the relationship between men from the beginning of history. But violence, aggression, is costly, and until the development of the institution of a State, an aggressor had to bear the full cost associated with aggression himself. Now, however, with a state-king in place, the costs of aggression could be externalized onto third parties (tax-payers and draftees) and accordingly aggression, or more specifically imperialism, i.e., attempts of aggressively, through war and conquest, enlarging one's territory and one's subject population, increased correspondingly.

Yet how was such a development possible, predictable as its consequences are? While it is not difficult to understand why a feudal king might want to become an absolute king, i.e., the head of a State: for who, except angels, would not like to be in the position where he can decide all conflicts including conflicts involving himself? It is far more difficult to understand how the king, even if he is the most noble of noble people, can get away with such a coup. Obviously, any would-be-State king would run into immediate opposition, most likely and most ferociously from other

nobles, since they are the ones who typically own more and have larger estates and hence would have to fear the most from the king's power to tax and legislate.

The answer to this question is actually quite simple and we are essentially familiar with it to this day. The king aligned himself with the "people" or the "common man." He appealed to the always and everywhere popular sentiment of envy among the "underprivileged" against their own "betters" and "superiors," their lords. He offered to free them of their contractual obligations *vis-à-vis* their lords, to make them owners rather than tenants of their holdings, for instance, or to "forgive" their debts to their creditors, and could so corrupt the public sense of justice sufficiently to render the aristocratic resistance against his coup futile. And to console the aristocracy over its loss of power and thus reduce their resistance, the king further offered them posts in his much enlarged and expanded royal courts.

Moreover, to achieve his goal of absolute power the king also aligned himself with the intellectuals. The demand for intellectual services is typically low, and intellectuals, almost

congenitally, suffer from a greatly inflated self-image and hence are always prone to and become easily avid promoters of envy. The king offered them a secure position as court intellectuals and they then returned the favor and produced the necessary ideological support for the king's position as absolute ruler. They did this through the creation of a two-fold myth: On the one hand they portrayed the history before the arrival of the absolute king in the worst possible light, as a ceaseless struggle of all against all, with one man being another man's wolf — contrary to the actual history of a prior natural aristocratic order. And on the other hand, they portrayed the king's assumption of absolute power as the result of some sort of contractual agreement by his subjects, presumably reached rationally, based on the myth of the otherwise threatening return to the *bellum omnia contra omnes*.

I have already shown that no such contract is conceivable, and that the notion of any such contract is sheer myth. No person in his right mind would sign such a contract. But as I hardly need emphasize, this idea, i.e., that the power of the State as a territorial monopolist of ultimate decision-making is grounded

and founded in some sort of contract holds sway in the heads of the populace to this day. Absurd as it is, then, the court intellectuals were remarkably successful in their work.

As the result of the intellectuals' ideological work of promoting this twofold myth: of presenting the rise of absolute monarchs as the result of a *contract*, the king's absolute monarchy was turned into a constitutional monarchy. In schoolbooks and the official, orthodox historiography this transition from absolute to constitutional monarchy is typically presented as a great step forward in human history, as progress. In fact, however, it represented another folly and initiated still further decay. For whereas the position of the absolute king was at best a tenuous one, as the memory of his actual rise to absolute power through an act of usurpation still lingered on and thus effectively limited his "absolute" power, the introduction of a constitution actually formalized and codified his power to tax and to legislate. The constitution was not something that protected the people from the king, but it protected the king from the people. It was a State-constitution, which presupposed what was formerly still considered

with greatest suspicion, namely the right to tax without consent and to make laws. The constitutional king, in subjecting himself to a few formalities and procedural routines, was thus enabled to expand his powers and enrich himself far beyond anything possible for him as an absolute monarch.

Ironically, the very forces that elevated the feudal king first to the position of absolute and then of constitutional king: the appeal to egalitarian sentiments and the envy of the common man against his betters and the enlistment of the intellectuals, also helped bring about the king's own downfall and paved the way to another, even greater folly: the transition from monarchy to democracy.

When the king's promises of better and cheaper justice turned out to be empty and the intellectuals were still dissatisfied with their social rank and position, as was to be predicted, the intellectuals turned the same egalitarian sentiments that the king had previously courted in his battle against his aristocratic competitors against the monarchical ruler himself. After all, the king himself was a member of the nobility, and as a result of



the exclusion of all other nobles as potential judges, his position had become only more elevated and elitist and his conduct even more arrogant. Accordingly, it appeared only logical that the king, too, should be brought down and that the egalitarian policies, which the king had initiated, be carried through to their ultimate conclusion: the control of the judiciary by the common man, which to the intellectuals meant by themselves, as, as they viewed it, the “natural spokesmen of the people.”

The intellectual criticism directed against the king was not a criticism of the institution of a legal monopoly of ultimate decision-making, however, which, as I have explained, constitutes the ultimate moral and economic folly and the root of all evil. The critics did not want to return to a natural aristocratic order, in which they themselves would play only a minor albeit important role. But they did, in their criticism, make a superficial appeal to the old and ineradicable notion of the equality of everyone before the law or the superiority of law above all. Thus, they argued that monarchy rested on personal privilege and that such a privilege was incompatible with

equality before the law. And they suggested that by opening participation and entry into State government to everyone on equal terms — that is, by replacing a monarchy with a democracy — the principle of the equality of all before the law was satisfied.

Appealing as this argument might at first appear, it is fundamentally wrong, however. Because democratic equality before the law is something entirely different from and incompatible with the old idea of one universal law, equally applicable to everyone, everywhere and at all times. Under democracy, everyone is equal insofar as entry into state government is open to all on equal terms. Everyone can become king, so to say, not only a privileged circle of people, i.e., the king and whomever he in his absolute or constitutional powers designates as his successor. Thus, in a democracy no personal privilege or privileged persons exist. However, functional privileges and privileged functions exist. State agents, i.e., so-called public officials, as long as they act in an official capacity, are governed and protected by public law and occupy thereby a privileged position *vis-à-vis* persons acting under the mere authority of private law.

For one, public officials are, just like any absolute or constitutional king, permitted to finance or subsidize their own activities through taxes. That is, they do not, as every private-law citizen must, earn their income through the production and subsequent sale of goods and services to voluntarily buying or not-buying consumers. Rather, as public officials they are permitted to engage in, and live off, what in private dealings, between private-law subjects, is considered robbery, theft, and stolen loot. Thus, privilege and legal discrimination — and the distinction between rulers and subjects — do not disappear under democracy. To the contrary. Rather than being restricted to princes and nobles, under democracy, privileges come into the reach of everyone: Everyone can participate in theft and live off stolen loot if only he becomes a public official. Likewise, democratically elected parliaments are, just like any absolute or constitutional king, not bound by any superior, natural law, i.e., by law not of their own making (such as and including so-called constitutional law), but they can legislate, i.e., they can make and change laws. Only: While a king legislates in his own favor, under democracy everyone is free to promote

and try to put into effect legislation in his own favor, provided only that he finds entry into parliament or government.

Predictably, then, under democratic conditions the tendency of every monopoly of ultimate decision-making to increase the price of justice and to lower its quality is not diminished but aggravated.

Theoretically speaking, the transition from monarchy to democracy involves no more (or less) than the replacement of a permanent, hereditary monopoly “owner” — the king — by temporary and interchangeable “caretakers” — by presidents, prime ministers, and members of parliament. Both, kings and presidents, will produce “bads,” i.e., they tax and they legislate. Yet a king, because he “owns” the monopoly and may sell and bequeath his realm to a successor of his choosing, his heir, will care about the repercussions of his actions on capital values.

As the owner of the capital stock on “his” territory, the king will be comparatively future-oriented. In order to preserve or enhance the value of his property, his exploitation will be comparatively moderate and calculating. In contrast, a temporary

and interchangeable democratic caretaker does not own the country, but as long as he is in office he is permitted to use it to his own advantage. He owns its current use but not its capital stock. This does not eliminate exploitation. Instead, it makes exploitation shortsighted, present-oriented, and uncalculating, i.e., carried out with no or little regard for the value of the capital stock. In short, it promotes capital consumption.

Nor is it an advantage of democracy that free entry into every state position exists (whereas under monarchy entry is restricted to the king's discretion). To the contrary, only competition in the production of goods is a good thing. Competition in the production of bads, such as taxation and legislation, is not good. In fact, it is worse than bad. It is sheer evil. Kings, coming into their position by virtue of birth, might be harmless dilettantes or decent men (and if they are "madmen" they will be quickly restrained or, if need be, killed by close relatives concerned with the possessions of the royal family, the dynasty). In sharp contrast, the selection of state rulers by means of popular elections makes it essentially impossible for a harmless or decent

person to ever rise to the top. Presidents and prime ministers come into their position not owing to their status as natural aristocrats, as feudal kings once did, i.e., based on the recognition of their economic independence, outstanding professional achievement, morally impeccable personal life, wisdom and superior judgment and taste, but as a result of their capacity as morally uninhibited demagogues. Hence, democracy virtually assures that only dangerous men will rise to the top of state government.

In addition: Under democracy the distinction between the rulers and the ruled becomes blurred. The illusion even arises that the distinction no longer exists: that with democratic government no one is ruled by anyone, but everyone instead rules himself. Accordingly, public resistance against government power is systematically weakened. While exploitation and expropriation — taxation and legislation — before might have appeared plainly oppressive and evil to the public, they seem much less so, mankind being what it is, once anyone can freely enter the ranks of those who are at the receiving end, and consequently there will be more of it.

Worse: Under democracy the social character and personality structure of the entire population will be changed systematically. All of society will be thoroughly politicized. During the monarchical age, the ancient aristocratic order had still remained somewhat intact. Only the king and, indirectly, the members of his (exclusive) court could enrich themselves — by means of taxation and legislation — at other people's and their properties expense. Everyone else had to stand on his own feet, so to say, and owed his position in society, his wealth and his income, to some sort of value-productive efforts. Under democracy, the incentive structure is systematically changed. Egalitarian sentiments and envy are given free reign. Everyone, not just the king, is now allowed to participate in the exploitation — via legislation or taxation — of everyone else. Everyone is free to express any confiscatory demands whatsoever. Nothing, no demand, is off limits. In Bastiat's words, under democracy the State becomes the great fiction by which everyone seeks to live at the expense of everyone else. Every person and his personal property come within reach of and are up for grabs by everyone else.

Under a one-man-one-vote regime, then, a relentless machinery of wealth and income redistribution is set in motion. It must be expected that majorities of have-nots will constantly try to enrich themselves at the expense of minorities of haves. This is not to say that there will be only one class of haves and one class of have-nots, the rich and the poor, and that the redistribution — via taxation and legislation — will occur uniformly from the rich onto the poor. To the contrary. While the redistribution from rich to poor will always play a prominent role and is indeed a permanent feature and mainstay of democracy, it would be naïve to assume that it will be the sole or even the predominant form of redistribution. After all, the rich and the poor are usually rich or poor for a reason. The rich are characteristically bright and industrious, and the poor typically dull, lazy or both. It is not very likely that dullards, even if they make up a majority, will systematically outsmart and enrich themselves at the expense of a minority of bright and energetic individuals. Rather, most redistribution will take place within the group of the non-poor, and it will actually be frequently the better off who succeed in having themselves subsidi-



dized by the poor. (Just think of “free” university education, whereby the working class, whose children rarely attend universities, pay for the education of middle-class children!) Indeed, many competing parties and coalitions will try to gain at the expense of others. In addition, there will be a variety of changing criteria defining what it is that makes a person a have (deserving to be looted) and another a have-not (deserving to receive the loot) — and it will be the intellectuals who play a major role in defining and promoting these criteria (making sure, of course, that they themselves will always be classified as have-nots in need of ever more loot). As well, individuals can be members of a multitude of groups of haves or have-nots, losing on account of one characteristic and gaining on account of another, with some individuals ending up net-losers and others net-winners of redistribution.

In any case, however, since it is invariably something valuable, something “good” that is being redistributed — property and income — of which the haves supposedly have too much and the have-nots too little, any redistribution implies that the incentive to beget,

have, or produce something of value — something “good” — is systematically reduced and, *mutatis mutandis*, the incentive of not getting, having, or producing anything valuable — of not being or not having anything “good” — but relying instead on and living off redistributed income and wealth is systematically increased. In short, the proportion of good people and good, value-productive activities is reduced and the proportion of bad or not-so-good people and of unproductive habits, character traits, and types of conduct will increase, with the overall result of impoverishing society and making life increasingly unpleasant.

While it is impossible to predict the exact outcome of the permanent democratic struggle of all against all, except to say that it will lead to ever higher taxes, to a never ending flood of legislation and thus increased legal uncertainty, and consequently to an increase in the rate of social time-preference, i.e., increased short-term orientation (an “infantilization” of society), one outcome of this struggle, one result of democracy can be safely predicted, however. Democracy produces and brings about a new power elite or

ruling class. Presidents, prime ministers, and the leaders of parliament and political parties are part of this power elite, and I have already talked about them as essentially amoral demagogues. But it would be naïve to assume that they are the most powerful and influential people of all. They are more frequently only the agents and delegates — those doing the bidding — of other people standing on the sidelines and out of public view. The true power elite, which determines and controls who will make it as president, prime minister, party leader, etc., are the plutocrats. The plutocrats, as defined by the great but largely forgotten American sociologist William Graham Sumner, are not simply the super-rich — the big bankers and the captains of big business and industry. Rather, the plutocrats are only a subclass of the super rich. They are those super rich big bankers and businessmen, who have realized the enormous potential of the State as an institution that can tax and legislate for their own even greater future enrichment and who, based on this insight, have decided to throw themselves into politics. They realize that the State can make you far richer than you already are: whether in subsidizing you, in awarding you with state

contracts, or in passing laws that protect you from unwelcome competition or competitors, and they decide to use their riches to capture the State and use politics as a means to the end of their own further enrichment (rather than becoming richer solely by economic means, i.e., in better serving voluntarily paying customers of one's products). They do not have to get involved in politics themselves. They have more important and lucrative things to do than wasting their time with everyday politics. But they have the cash and the position to "buy" the typically far less affluent professional politicians, either directly in paying them bribes or indirectly, by agreeing to employ them later on, after their stint in professional politics, as highly paid managers, consultants, or lobbyists, and so manage to decisively influence and determine the course of politics in their own favor. They, the plutocrats, will become the ultimate winners in the constant income and wealth redistribution struggle that is democracy. And in between them (the real power elite staying outside the limelight), and all those whose income (and wealth) depends solely or largely on the State and its taxing power (the employees of the always growing state apparatus and

all recipients of transfer payments, its “welfare clients”), the productive middle class gets increasingly squeezed dry.

Not least, democracy has also a profound effect on the conduct of war. I already explained that kings, because they can externalize the cost of their own aggression onto others (via taxes) tend to be more than ‘normally’ aggressive and war-like. However, a king’s motive for war is typically an ownership-inheritance dispute brought on by a complex network of inter-dynastic marriages and the irregular but always recurring extinction of certain dynasties. As violent inheritance disputes, monarchical wars are characterized by limited territorial objectives. They are not ideologically motivated quarrels but disputes over tangible properties. Moreover, as inter-dynastic property disputes, the public considers war essentially the king’s private affair to be paid for by himself and as insufficient reason for any further tax increase. Further, as private conflicts between different ruling families the public expects, and the kings feel compelled, to recognize a clear distinction between combatants and non-combatants and to target their war efforts

specifically and exclusively against each other and their respective personal properties.

Democracy radically transforms the limited wars of kings into total wars. In blurring the distinction between the rulers and the ruled, democracy strengthens the identification of the public with the State. Once the State is owned by all, as democrats deceptively propagate, then it is only fair that everyone should fight for their State and all economic resources of the country be mobilized for the State in its wars. And since public officials in charge of a democratic state cannot and do not claim to personally “own” foreign territory (as a king can do), the motive for war instead becomes an ideological one — national glory, democracy, liberty, civilization, humanity. The objectives are intangible and elusive: the victory of ideas, and the unconditional surrender and ideological conversion of the losers (which, because one can never be sure about the sincerity of the conversion, may require the mass murder of civilians). As well, the distinction between combatants and non-combatants becomes fuzzy and ultimately disappears under democracy, and mass war involvement — the draft and popular war ral-

lies — as well as “collateral damage” become part of war strategy.

These tendencies will be still further strengthened by the rise of the new ruling elite of plutocrats. For one, the plutocrats will quickly realize the enormous profits to be made by arming the State, by producing the very weapons and equipment used in war, and in being awarded most generous tax-funded cost-plus contracts to do so. A military-industrial complex will be built up. And second, unlike most people who have merely local or domestic interests, the super-rich plutocrats have financial interests also in foreign places, potentially all around the globe, and in order to promote, protect, and enforce these foreign interests it is only natural for them to use the military power of their own State also to interfere, meddle, or intervene in foreign affairs on their behalf. A business deal in foreign countries may have turned sour or a concession or license may be won there — almost everything can be used as a reason to pressure one’s own State to come to their rescue and intervene outside of its own territory. Indeed, even if this intervention requires that a foreign country be destroyed, this can be

a boon for them, provided only they receive the contract to rebuild the country that their weapons had before destroyed.

Finally, the tendency already set in motion with the war of kings of leading to increased political centralization, toward the building of empire, is continued and accelerated through democratic war.

Every State must begin territorially small. That makes it easy for productive people to run away to escape its taxation and legislation. Obviously, a State does not like to see its productive people run away and tries to capture them by expanding its territory. The more productive people the State controls, the better off it will be. In this expansionist desire, it runs into opposition by other States. There can be only one monopolist of ultimate decision-making in any given territory. That is, the competition between different States is eliminative. Either *A* wins and controls the territory, or *B*. Who wins? At least in the long run, that State will win — and take over another's territory or establish hegemony over it and force it to pay tribute — that can parasitically draw on a comparatively more productive economy. That is, other things being the same, internally more



“liberal” States, i.e., States with comparatively low taxes and little legislative regulation, will win over less “liberal,” i.e., more oppressive, States and expand their territory or their range of hegemonic control.

There is only one important element missing still in this reconstruction of the tendency toward imperialism and political centralization: money.

As a territorial monopolist of legislation, every State, whether monarchic or democratic, immediately recognized the immense potential for its own enrichment — far beyond anything offered by taxation — provided by the monopolistic control of money. By appointing itself as the sole producer of money, the State could increase and inflate the money supply through currency depreciation: by producing an increasingly cheaper and ultimately “worthless” money, such as paper money, that could be produced at virtually zero cost, and thus enabled the State to “buy” real, non-monetary goods at no cost to itself. But in an environment of multiple, competing states, paper monies and currency areas, limitations to this policy of “expropriation through inflation” come into play. If one State inflates more

than another, its money tends to depreciate in the currency market relative to other monies, and people react to these changes in selling the more inflationary money and buying the less inflationary one. “Better” money would tend to outcompete “worse” money.

This can be prevented only if the inflationary policies of all states are coordinated and an inflation cartel is established. But any such cartel would be unstable. Internal and external economic pressures would tend to burst it. For the cartel to be stable a dominant enforcer is required — which leads back to the subject of imperialism and empire building. Because a militarily dominant State, a hegemon, can and will use its position to institute and enforce a policy of coordinated inflation and of *monetary imperialism*. It will order its vassal States to inflate along with its own inflation. It will further pressure them to accept its own currency as their reserve currency, and ultimately, to replace all other, competing currencies by a single paper money, used worldwide and controlled by itself, so as to expand its exploitative power over other territories and ultimately the entire globe even without further war and conquest.

But — and with that I am slowly approaching the end of my tale of moral and economic folly and decay and have already touched upon a possible way out — imperialism and empire building also bears the seeds of its own destruction. The closer a State comes to the ultimate goal of world domination and one-world government and paper money, the less reason there is to maintain its internal liberalism and do instead what all States are inclined to do anyway, i.e., to crack down and increase their exploitation of whatever productive people are still left. Consequently, with no additional tributaries left and domestic productivity stagnating or falling, the empire's internal policies of bread and circuses and its foreign policies of war and domination can no longer be maintained. Economic crisis hits, and an impending economic meltdown will stimulate decentralizing tendencies, separatist and secessionist movements, and lead to the breakup of empire.

What, then, is the morale of my story? I have tried to make the current world intelligible, to reconstruct it as the predictable result of a

series of successive and cumulative moral and economic errors.

We all know the results. The price of justice has risen astronomically. The tax load imposed on property owners and producers makes the burden imposed on slaves and serfs appear moderate in comparison. As well, government debt has risen to breathtaking heights. Everywhere, democratic states are on the verge of bankruptcy. At the same time, the quality of law has steadily deteriorated to the point where the idea of law as a body of universal and immutable principles of justice has disappeared from public opinion and consciousness and been replaced by the idea of law as legislation. Every detail of private life, property, trade, and contract is regulated by increasingly higher mountains of paper laws. In the name of social, public, or national security, democratic caretakers “protect” us from global warming and cooling, the extinction of animals and plants and the depletion of natural resources, from husbands and wives, parents and employers, poverty, disease, disaster, ignorance, prejudice, racism, sexism, homophobia and countless other public “enemies” and “dangers.” Yet the

only task government was ever supposed to assume — of protecting our life and property — it does not perform. To the contrary, the higher the state expenditures on social, public, and national security have risen, the more private property rights have been eroded, the more property has been expropriated, confiscated, destroyed, and depreciated, and the more have people been deprived of the very foundation of all protection: of personal independence, economic strength, and private wealth. The more paper laws have been produced, the more legal uncertainty and moral hazard has been created, and lawlessness has displaced law and order. And while we have become ever more dependent, helpless, impoverished, threatened and insecure, the ruling elite of politicians and plutocrats has become increasingly richer, more corrupt, dangerously armed, and arrogant.

Likewise, we know about the international scene. The once-upon-a-time comparatively liberal USA, through a seemingly endless series of wars — wars supposed to make the world safe for democracy but in reality wars for US and its plutocrats' world-domination — has risen to the rank of the world's foremost

empire and global hegemon, meddling in the domestic affairs and superimposing its rule on countless other countries and their local power elites and populations. Moreover, as the world's dominant empire, the US has also established its currency, the US-dollar as the leading international reserve currency. And with the dollar used as reserve currency by foreign central (government) banks, the US can run a permanent "deficit without tears." That is, the US must not pay for its steady excesses of imports over exports, as it is normal between "equal" partners, in having to ship increasingly more exports abroad (exports paying for imports!). Rather: Instead of using their export earnings to buy American goods for domestic consumption, foreign governments and their central banks, as a sign of their vassal status *vis-à-vis* a dominant US, use their paper dollar reserves to buy up US government bonds to help Americans consume beyond their means at the expense of foreign populations.

What I have tried to show here is why all of this is not a historical accident, but something that was predictable. Not in all details, of course, but as far as the general pattern of

development is concerned. That the ultimate error committed, leading to these deplorable results, was the establishment of a territorial monopoly of ultimate decision making, i.e., a State, and hence, that the entire history we are told and taught in schools and standard textbooks, which presents democracy as the crowning achievement of human civilization, is just about the opposite of the truth.

The final question, then, is “Can we rectify this error and go back to a natural aristocratic social order?” I have written and spoken about the ultimate solution: how a modern natural order — a private law society — could and would work, and I can only summarily refer you here to these works.<sup>3</sup> Instead, I only want to briefly touch here, at the very end, on matters of political strategy: how to possibly approach the ultimate solution that I and others such as my great teacher Murray Rothard

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<sup>3</sup>I gave a speech at the Mises Institute Brasil in 2011 entitled “The Problem of Social Order.” It was published by the Mises Institute in Auburn, Alabama, as “State or Private Law Society,” and is available at: [mises.org/daily/5270/State-or-PrivateLaw-Society](http://mises.org/daily/5270/State-or-PrivateLaw-Society)

have proposed and outlined — given the current state of affairs.

As indicated, the democratic system is on the verge of economic collapse and bankruptcy as in particular the developments since 2007, with the great and still ongoing financial and economic crisis, have revealed. The EU and the Euro are in fundamental trouble, and so are the US and the US dollar. Indeed, there are ominous signs that the dollar is gradually losing its status as dominant international reserve currency. In this situation, not quite unlike the situation after the collapse of the former Soviet Empire, countless decentralizing, separatist and secessionist movements and tendencies have gained momentum, and I would advocate that as much ideological support as possible be given to these movements.

For even if as a result of such decentralist tendencies new State governments should spring up, whether democratic or otherwise, territorially smaller States and increased political competition will tend to encourage moderation as regards a State's exploitation of productive people. Just look at Liechtenstein, Monaco, Singapore, Hong Kong, and even



Switzerland, with its still comparatively powerful small cantons *vis-à-vis* its central government. Ideally, the decentralization should proceed all the way down to the level of individual communities, to free cities and villages as they once existed all over Europe. Just think of the cities of the Hanseatic League, for instance. In any case, even if new little States will emerge there, only in small regions, districts, and communities will the stupidity, arrogance, and corruption of politicians and local plutocrats become almost immediately visible to the public and can possibly be quickly corrected and rectified. And only in very small political units will it also be possible for members of the natural elite, or whatever is left of such an elite, to regain the status of voluntarily acknowledged conflict arbitrators and judges of the peace.



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