Another prominent economist was the Pole Louis Wolowski (1810–76), a brother-in-law of Michel Chevalier. Born in Warsaw, Wolowski emigrated to France in 1834, founding and editing for many years the *Revue de législation et jurisprudence*. Possessor of a doctorate of law and another in political economy, Wolowski was to become a banker, statesman and professor as well as being associated for many years with the *Journal des Économistes*. Wolowski's nephew, Émile Levasseur (1828–1911) became a prominent economic historian and successor to Baudrillart at the Collège de France. Levasseur published a well-known work on the *Histoire des classes ouvrières en France* (History of the Working Classes in France) (1859) and, in 1867, published a *Précis d'Économie Politique*, which went into many editions. Wolowski and Levasseur, it should be noted, wrote a scintillating joint article in defence of property rights, on 'Property', for Lalor's three-volume *Cyclopedia of Political Science*, published in the United States in 1884.

A worthy successor to Jérome-Adolphe Blanqui as historian of economic thought in the French *laissez-faire* school was Maurice Block (1816–1901). Born in Berlin but emigrating to France, Block worked in the statistical department of the ministry of agriculture, industry and trade. By his 40s, Block was a full-time editor and writer in economics. For 44 years, from 1856 virtually until his death, Block served as editor of the *Annuaire d'économie politique et de la statistique* (Annual of Economics and Statistics), as well as editor of the *Dictionnaire générale de la Politique* (from 1862 and later years), and the *Dictionnaire de l'Administration Française* (1855 and later years), and also wrote several important books on the theory of statistics, on socialism, on French finances, and a *Petit manuel d'économie politique*, published in 1873 and going into many editions. An erudite and indefatigable scholar, Maurice Block served for over 40 years as a reporter on all economic writings in Europe for the *Journal des Économistes*, capping his career with a great two-volume history of economic thought, *Le progrès de la science économique depuis Adam Smith* (1890). In his *Progrès*, Block praised the new Austrian school, and denounced the historicism and opposition to economic law of the German historical school.

Three generations of Says also took a prominent part in the French movement of *laissez-faire* economics. Jean-Baptiste's only son Horace-Émile Say (1794–1860) was merchant for a time in the United States and especially in Brazil, and served as a commercial judge and a councillor of state during the period of the Second Republic, 1859–61. Horace Say wrote a book on the history of commercial relations between France and Brazil. Horace's son, Jean-Baptiste Léon Say (1826–96), became a prominent statesman devoted to free trade and *laissez-faire*. Léon Say wrote many articles for the *Journal des Économistes*, he was the owner of the *laissez-faire*-oriented *Journal des Débats*, and he was the minister of finance from 1872 to 1879, and again in

1882. He was also president of the French Senate in 1882. Léon Say concluded a preliminary free trade treaty with England in 1880, and successfully opposed the introduction of an income tax.

One of the last of the fiery and uncompromising free market and anti-interventionists of the French school was Yves Guyot (1843–1928), a prolific writer who also served as city councillor of Paris (1876–85) and minister of public works (1889–92). Guyot succeeded the venerable Gustave de Molinari after he stepped down as editor of the *Journal des Économistes* in 1909.

So dominant was the *laissez-faire* school in France during the nineteenth century that its teaching permeated the popular culture. Popular writers, journalists and novelists expounded on the harmony of interests, and on the mutual benefit and the general prosperity brought about by the free market. Thus no more lucid and inspiring an economic primer and paean to the workings of the free market has ever been written than the lectures to French workers, formed into the *Handbook of Social Economy: Or the Workers' ABC*, written by the popular novelist Edmond About (1828–85).[1]

Indeed, the very lucidity and popularity of the French writers was turned against them by the British classical economists, generally dense and obscure writers, who could turn their very elegance of style against the French, and denounce them for superficiality of thought and scholarship. This tradition has been redoubled by modern historians, whose intense hostility to the French writers' political conclusions reinforces their brusque dismissal. In particular, modern historians unfairly dismiss the French writers as mere popularizers, lacking theoretical depth.

14.2 Frédéric Bastiat: the central figure

Particularly suffering from historical neglect is the most famous of the French *laissez-faire* economists, Claude Frédéric Bastiat (1801–50), to whom the two-volume *Dictionnaire d'Économie Politique* (1852) was respectfully and affectionately dedicated. Bastiat was indeed a lucid and superb writer, whose brilliant and witty essays and fables to this day are remarkable and devastating demolitions of protectionism and of all forms of government subsidy and control. He was a truly scintillating advocate of an untrammelled free market. Frédéric Bastiat's justly famous 'Petition of the Candlemakers' is still anthologized in books of economic readings; in this satiric petition to the French parliament, the candlemakers' trade association petitions the government to protect their industry, which employs many thousands of men, from the unfair, unjust, invasive competition of a foreign light source: the sun. Bastiat's candlemakers petition the government to shut out the sunlight all over France – a protective device that would give employment to many millions of worthy French candlemakers.

Bastiat's fable of the broken window also brilliantly refuted Keynesianism nearly a century before its birth. Here, he outlines three levels of economic analysis. A mischievous boy hurls a rock at a plate glass store window, and breaks the glass. As a crowd gathers round, the first-level analysis, common sense, comments on the event. Common sense deplores the destruction of property in breaking the window, and sympathizes with the storekeeper for having to spend his money repairing the window. But then, says Bastiat, comes the second-level, sophisticated analyst or what we might call a proto-Keynesian. The Keynesian says: oh, but you people don't realize that the breaking of the window is *really* an economic blessing. For, in having to repair the window, the storekeeper invigorates the economy by his spending, and gives welcome employment to glaziers and their workers. Destruction of property, by compelling spending, therefore stimulates the economy and has an invigorating 'multiplier effect' on production and employment.

But then in steps Bastiat, the third-level analyst, and points out the grievous fallacy in the destructionist proto-Keynesian position. The alleged sophisticated critic, says Bastiat, concentrates on 'what is seen' and neglects 'what is not seen'. The sophisticate *sees* that the storekeeper must give employment to glaziers by spending money to repair his window. But what he doesn't see is the storekeepers's opportunity foregone. If he did not have to spend the money on repairing the window, he could had *added* to his capital, and to everyone's standard of living, and thereby employed people in the act of advancing, rather than merely trying to sustain, the current stock of capital. Or, the storekeeper might have spent the money on his own consumption, employing people in *that* form of production.

In this way, the 'economist', Bastiat's third-level observer, vindicates common sense and refutes the apologia for destruction of the pseudo-sophisticate. He considers what is not seen as well as what is seen. Bastiat, the economist, is the *truly* sophisticated analyst.[2]

Frédéric Bastiat was also a perceptive political, or politico-economic, theorist. Attacking statism as a growing parasitic burden upon producers in the market, he defined the state as 'the great fiction by which everyone tries to live off everyone else'. And in his work on *The Law* (1850), Bastiat insisted that law and government must be strictly limited to defending the persons, the liberty, and the property of people against violence; any going beyond that role would be destructive of liberty and prosperity.

While often praised as a gifted popularizer, Bastiat has been systematically derided and undervalued as a theorist. Criticizing the classical Smithian distinction between 'productive' labour (on material goods) and 'unproductive' labour (in producing immaterial services), Bastiat made an important contribution to economic theory by pointing out that *all* goods, including material ones, are productive and are valued precisely because they produce

immaterial services. Exchange, he pointed out, consists of the mutually beneficial trade of such services. In emphasizing the centrality of immaterial services in production and consumption, Bastiat built on J.B. Say's insistence that all market resources were 'productive', and that income to productive factors were payments for that productivity. Bastiat also built upon Charles Dunoyer's thesis in his *Nouveau traité d'économie social* (New Treatise on Social Economy) (1830) that 'value is measured by services rendered, and that products exchange according to the quality of services stored in them'.[3]

Perhaps most important, in stark contrast to the Smith–Ricardo classical school's exclusive emphasis on production, and neglect of the goal of economic endeavours – consumption, Bastiat proclaimed once again the continental emphasis on consumption as the goal and hence the determinant of economic activity. Bastiat's own oft-repeated triad: 'Wants, Efforts, Satisfactions' summed it up: wants are the goal of economic activity, giving rise to efforts, and eventually yielding satisfactions. Furthermore, Bastiat noted that human wants are unlimited, and hierarchically ordered by individuals in their scales of value.[4]

Bastiat's concentration on *exchange*, and on analysis of exchange, was also a highly important contribution, especially in contrast to the British classicists' focus on production of material wealth. It was the emphasis on exchange that led Bastiat and the French school to stress the ways in which the free market leads to a smooth and harmonious organization of the economy. Hence the importance of *laissez-faire*.[5]

Frédéric Bastiat was born in 1801 in Bayonne, in south-western France, the son of a landowner and prominent merchant in the Spanish trade. Orphaned at the age of nine, Bastiat entered his uncle's business firm in 1818; when, seven years later, he inherited his grandfather's landed estate, Bastiat left the firm and became a gentleman farmer. But his interests were neither in trade nor in agriculture, but in the study of political economy. Fluent in English, Italian and Spanish, Bastiat steeped himself in all the extant economic literature in these languages. Apart from an unsuccessful attempt to establish an insurance firm in Portugal in the early 1840s, as well as being a member of the district council and his undemanding service as a country judge, Bastiat spent two decades in quiet study and reflection on economic problems. He was most heavily influenced by J.B. Say, partially by Adam Smith, by Destutt de Tracy, and particularly by the great four-volume *laissez-faire* libertarian work of Charles Comte, *A Treatise on Legislation* (1827). Indeed, as a teenager, Bastiat had been a subscriber to Comte and Dunoyer's journal, *Le Censeur*, and he was to become a friend and colleague of Dunoyer's in the struggle for free trade.

Bastiat entered the economic literature with a sparkling attack on protectionism in France and England in the *Journal des Économistes* in late 1844, an

article which created a sensational impact. Bastiat followed this up with another article in the *Journal*, in early 1845, denouncing socialism and the concept of a 'right to labour'. During the few years he had left on earth, Bastiat poured forth a stream of lucid and influential writings. His two-volume *Economic Sophisms* (1845), a collection of witty essays on protectionism and government controls, sold out quickly, going into several editions, and was swiftly translated into English, Spanish, Italian and German. During the same year, Bastiat published *Cobden et la Ligue*, his tribute to Cobden and the Anti-Corn Law League: a history of the League that included the principal speeches and articles by Cobden, Bright, and other stalwarts of the League.

After setting up a free trade association in Bordeaux in 1846, Bastiat moved to Paris, where he stepped up his literary efforts and organized a national association for free trade. He became the secretary-general of the national association, as well as editor-in-chief of *Le Libre-Échange (Free Trade)*, the periodical of the French free trade association. Even though in frail health, Bastiat also participated in the revolution of 1848, being elected to the constituent and then the legislative assembly, where he served from 1848 until his death.

Bastiat's final political service has been undervalued by most historians. While generally voting in the minority in the assembly as a stalwart of individual liberty and *laissez-faire*, Bastiat was highly influential as vice-president (and often acting president) of the assembly's finance committee. There he fought tirelessly for lower government spending, lower taxes, sound money, and free trade. While he fought ardently in opposition to socialist and communist schemes, Bastiat elected to sit on the Left, as a proponent of *laissez-faire* and the republic, and as an opponent of protectionism, absolute monarchy, and a warlike foreign policy. As a consistent civil libertarian, Bastiat also fought against the jailing of socialists, the outlawry of peaceful trade unionism, or the declaration of martial law. Bastiat also made his mark by at least partially converting the man who would become the president of the provisional republic in 1848, the eminent poet and orator Alphonse Marie Louis Lamartine (1790–1869) from his previous socialism to (an admittedly inconsistent) *laissez-faire* position.[6]

Bastiat died young in 1850, leaving his two-volume theoretical *magnum opus*, *Economic Harmonies*, only partially published; the remainder was published posthumously. It was a fitting memorial to Bastiat that his friend Michel Chevalier, the man whom he had converted to free trade and *laissez-faire*, should have been the one to conclude, with Richard Cobden, the great free trade Anglo-French treaty of 1860.

Bastiat met Cobden on his first trip to England in the summer of 1845, and for the remainder of Bastiat's life the two men were close friends and frequent correspondents, visiting each other frequently. The two influenced each

other greatly, Bastiat providing Cobden with broader theoretical insights in his devotion to free trade, and the latter inspiring Bastiat to organize a movement in France similar to the Anti-Corn Law League. In particular, Cobden took from Bastiat a devotion to natural law and natural rights; an emphasis on the harmony of individuals, groups, and nations through the mutual benefits of the free market; and a staunch opposition to war and an interventionist foreign policy, and a devotion to international peace. The two also shared a consistent devotion to *laissez-faire* devoid of the numerous hesitancies and qualifications imposed by the classical economists, or of the gloomy Ricardian hostility to landlords or to land rent.[7]

14.3 The influence of Bastiat in Europe

Inspired by Bastiat's organizing and by his theories, free trade associations rapidly established themselves in various countries in Europe. Belgium formed a free trade association shortly after France, and the Belgian group stayed in constant correspondence with Bastiat and his *Libre-Échange*. Former minister Charles de Brouckère, burgomaster of Brussels, was president of the Belgian association. In Italy an association for free trade established the journal *Contemporaneo* in the Autumn of 1846, and printed a statement hailing the French free trade association. While the statement praised the Anti-Corn Law League, it also lauded the French association as more all-encompassing in its free-market position: 'the British Association has declared war against only one of the evils in its own country [tariffs and the Corn laws], while the French Association has adopted a more general plan that encompasses the entire human race. It wishes to induce all nations to fraternize, and to invite everyone to the banquet of production and consumption.'[8]

One of the prominent signers of the Italian statement was Professor Raffaele Busacca, a vigorous defender of free trade and a prolific writer on statistical, historical and theoretical subjects in economics.

A particularly important follower and admirer of Frédéric Bastiat was the man who became the unquestioned leader and dominant force in economic theory and policy in nineteenth century Italy. He was the Sicilian-born Francesco Ferrara (1810–1900), a stalwart advocate of *laissez-faire*, professor of political economy at the University of Turin, and the teacher and mentor of most Italian economists of the next generation. Ferrara also played an important political role in the unification of Italy and was at one time minister of finance of the new nation. In addition, Ferrara was an eminent historian of economic thought, to which he contributed the editorship of the first two series of the multi-volume translation, *Biblioteca dell'Economista* (Turin, 1850–69), and especially his two-volume *Esame storico-critico di economisti e dottrine economiche* (1889–92). For many years, Ferrara was professor at the University of Turin, and there trained many prominent Italian economists. In addition to Bastiat,

upon whom he lavished 100 pages in his great *Esame*, Ferrara particularly hailed the works, of Say, Dunoyer and Chevalier.

Ferrara's theoretical contributions, like Bastiat's, have been systematically underweighted by harsh modern, anti-*laissez-faire* critics who, as in the case of Bastiat, find it difficult to believe that anyone who is ardently and consistently in favour of *laissez-faire* could possibly be an important scholar and economic theorist. Thus, Ferrara's 'cost-of-reproduction' theory of value, often dismissed as a clumsy rewrite of Ricardian 'cost-of-production', has recently been shown instead to be a partial anticipation of subjective, marginal utility theory.[9]

For several decades Francesco Ferrara's exchange-oriented and *laissez-faire* economics held sway among Italian economists. In the 1870s, however, the interconnected statist trends of protectionism and of the German historical school, as well as outright socialism, began to infest Italian economics. Ferrara valiantly combated the new trends. A formal split occurred in 1874, when the younger statists, centred in Padua, formed the Association for the Development of Economic Studies, publishing a journal which soon become the *Giornale degli Economisti*. On the other hand, the Ferraristas, centred in Florence, formed the Adam Smith Society, and published the weekly *L'Economista*. While outnumbered, the Ferrara group produced some notable younger disciples, including Domenico Berardi, who published a critique of government intervention in 1882 and a book on money 30 years later; A. Bertolini, who wrote a critique of socialism in 1889; and Fontanelli, who wrote a critique of unions and strikes. In particular, we might mention Tulio Martello of Bologna, known as the last of the Ferraristas. With the characteristic half-sneer which he tended to reserve for ardent partisans of *laissez-faire*, Schumpeter wrote of Martello's challenging call for polymetallism as the path of complete monetary freedom in *La Moneta* (1883), that 'the value of which is but slightly impaired by some liberalist vagaries on free coinage'.[10]

While seemingly battling a rear-guard action against overwhelming odds, Ferrara and his school actually hung on long enough to turn the tide, by influencing the new 'army of marginalist–liberalists' led by Maffeo Pantaleoni. The group seized control of the dominant economic journal (the *Giornale degli Economisti*) in 1890, and was to remain dominant for years thereafter.[11]

Sweden was a country heavily influenced by Bastiat, who became the major authority in Swedish economics and politics. A young Swede, Johan August Gripenstedt (d. 1874), met Bastiat on a trip to France, and was deeply influenced for the rest of his life by the French *laissez-faire* leader. Gripenstedt became the greatest of the economic liberals in Sweden during the 1860s and 1870s, as well as the most influential politician in Sweden. By 1870, Gripenstedt, almost single-handed, had managed to eliminate all import and export prohibitions in Sweden, to abolish all export duties, to reduce tariffs on manufactured goods, and to bring about free trade in agricultural products.

Shortly after Gripenstedt's death, his followers and disciples formed the Stockholm Economic Society in 1877, dedicated to the principles of Bastiat and Gripenstedt. Some of the leading members were: Johan Walter Arnberg, director of the Bank of Sweden, who warned of the dangers of socialism stemming from businessmen's demands for government subsidies; G.K. Hamilton, professor of economics at the University of Lund, so dedicated to Frédéric Bastiat that he named his son 'Bastiat' in 1865; A.O. Wallenberg, founder of the Stockholm Euskilda Bank; and Johan Henrik Palme, leading banker, dedicated to free trade.

Two prominent *laissez-faire* political leaders in the Economic Society should be mentioned. One was Axel Gustafsson Bennich, director-general of the customs, and right-hand man of Gripenstedt. Bennich was an indefatigable and joyous battler for free trade and *laissez-faire* throughout his long life. Another was the president of the Stockholm Economic Society, Carl Freidrich Waern, a Gothenburg merchant who became minister of finance and head of the board of trade. Waern resigned from the latter post because he refused to sign a law mandating protection of young timber in the forests, a measure he denounced as an egregious invasion of the rights of private property.

As was true of *laissez-faire* thinkers and activists in England and France, Swedish libertarians were split on what to do about banking. Central banker Johan Arnberg and economist Hans Forssell favoured the central Bank of Sweden as a means of abolishing all private bank notes, which they considered inflationary and pernicious. On the other hand, banker A.O. Wallenberg championed free banking.

By the mid-1880s, however, in Sweden as in the rest of Europe, statism began to make a successful comeback and gradually to become dominant. Protectionists began to infiltrate the Economic Society by the mid-1880s, and Sweden adopted a protective tariff system in 1888. In 1893, the symbol of protectionist triumph came with a protectionist being chosen president of the former central nucleus of free trade, the Stockholm Economic Society. During the 1880s, too, despite the bitter attacks of Forssell and other founding stalwarts, the society began to champion social welfare and other *Kathedersozialist* ('socialism of the chair') policies. In this way, Swedish economic theory and policy shifted, during the decade, from its original French *laissez-faire* orientation toward the German historical school and its 'monarchical socialism'. This sharp change was greatly facilitated by German being made the dominant foreign language in the Swedish public schools in 1878.[12]

But even in Prussia, a free trade party was established during the late 1840s dedicated to Bastiat's principles. The Prussian free trade movement was led by John Prince Smith (1809–74), son of an English father and German mother, who corresponded frequently with Bastiat. In one letter Prince Smith wrote to Bastiat:

> The friends to whom I have shown your book [*Economic Harmonies*] are enthusiastic about it. I promise you that it will be read eagerly by our best thinkers... We hope to establish a formal league among the democratic parties and the free traders... 'Bring Bastiat here', a leader of the democrats said to me, 'and I promise to lead 10,000 men in a procession to celebrate his visit to our capital'.[13]

John Prince Smith was born in London in 1809, the son of a barrister. On the death of his father, he began working at the age of 13 for a London mercantile firm.[14] Later he turned to journalism, travelling to his mother's country, and in 1831 became a teacher of English and French at a *gymnasium* in the port of Elbing in East Prussia. Learning economics in Germany, Prince Smith, by the 1830s, began writing articles on behalf of the free market, and vigorously defended seven professors who had been fired in 1837 from the University of Göttingen for protesting the despotic revocation of the liberal Hanoverian constitution. His ensuing difficulties with the Prussian educational administration led Prince Smith to leave his teaching post in 1840 and turn to full-time journalism.

Prince Smith not only came out generally for the free market, but also began a vigorous and consistent anti-war and anti-militarist stand, which brought him to advocate the elimination of the Prussian state's bulwark, the standing army, and its replacement by a far cheaper and popularly controlled citizens' militia.

In 1843, Prince Smith launched his lifelong crusade for freedom of trade, putting it in a historical and sociological context reminiscent of the writings of Comte and Dunoyer. Furthermore, Prince Smith made clear that for him 'free trade' meant not simply absence of international trade barriers but also an absolute free market at home, with the state confined only to police protection.[15]

In 1846, Prince Smith, joined by several associates, sent an address to Robert Peel, in which they congratulated the British prime minister for his outstanding achievement in repealing the Corn Laws. Peel's gracious and highly principled reply caused a sensation in Prussia, and Prince Smith was inspired by the response to found, in December of that year, the German Free Trade Union.[16] The union, consisting of business leaders and scholars, held its first, organizing meeting the following March in the hall of the Berlin Stock Exchange. The great majority of the 200 attendees were businessmen.

For the rest of his life, John Prince Smith led the way in Germany in agitating for free markets and free trade. In 1860, he founded the Economic Society as the successor to the Free Trade Union. His home in Berlin (he had married the daughter of a wealthy Berlin banker) became a salon for liberal Prussian politicians, some of whom formed the Progressive Party. In 1858, Prince Smith helped found the annual congress of German economists, which was dedicated to *laissez-faire* until its final meeting in 1885.

At the congress, Prince Smith delivered papers attacking usury laws, criticizing patents, and denouncing irredeemable paper money. In 1863, Prince Smith helped found and co-edited the *Quarterly Journal for Economy, Politics, and Cultural History (Vierteljahrschrift für Volkwirtschaft, Politik, und Kulturgeschichte)*, along with the ultra-individualist Julius Faucher (1820–78), Prince Smith's closest collaborator. The *Quarterly Journal* soon became 'the chief theoretical organ of classical liberalism in Germany',[17] and continued in existence for 30 years. Fluent in French, Prince Smith contributed to the French *Journal des Économistes*, and he also helped organize, and wrote for, a *Concise Dictionary of Economics (Handwörterbuch der Volkwirtschaftslehre*, 1866), modelled after the French *laissez-faire Dictionnaire d'Économie Politique.*

During the 1870s and 1880s, *laissez-faire* views in Prussia and Germany were swiftly replaced by the dominance of the German historical school, statism, and 'socialism of the chair'. This radical change was greatly fostered by the political triumph of Bismarck and Prussian militarism over classical liberalism, and the union of the bulk of the German nation under the Prussian domination of 'blood and iron'.

The high point of the European free trade movement came early, at a famous international congress of economists, organized by the Belgian free trade association at Brussels, from 16–18 September 1847. Inspired by the Anti-Corn Law League victory and the Bastiat movement, and by a triumphal 14 month-long European tour by Cobden in 1846–47, the congress met to decide the free trade question. Presided over by the Belgian de Brouckère, the congress consisted of 170 delegates from 12 countries, and included publicists, manufacturers, agriculturists, merchants and statesmen, as well as economists. While Bastiat was unable to attend, de Brouckère, in his opening address, hailed Bastiat as the 'zealous apostle of our doctrines'. Particularly active at the congress was the French delegation, especially Louis Wolowski, Charles Dunoyer, Jérome-Adolphe Blanqui and Joseph Garnier; also active was John Prince Smith, head of the Prussian delegation. Other prominent attendees were Colonel Thomas Perronet Thompson, of the English parliament, and James Wilson, editor of *The Economist.*

While a small contingent of protectionists spoke at the congress, they were swamped by the free traders, who passed a resounding declaration for freedom of trade. Unfortunately, plans for further meetings of the congress were broken up by the Revolution of 1848, which delivered a grave setback to the movement for economic freedom in Europe, from which it took some years to recover. After a brief Indian Summer of the 1860s, the *laissez-faire* movement for free markets, free trade and international peace, began in the 1870s and 1880s to give way, tragically, to a Europe of protectionism, militarism, welfare states, compulsory cartels and warring international power blocs.

Nationalist and statist economics, an industrial recrudescence of commercial mercantilism, began to dominate Europe.

14.4 Gustave de Molinari, first anarcho-capitalist

Of all the leading libertarian French economists of the mid- and late nineteenth centuries, the most unusual was the Belgian-born Gustave de Molinari (1819–1912). Born in Liège, the son of a Belgian physician and a baron who had been an officer in the Napoleonic army, Molinari spent most of his life in France, where he became a prolific and indefatigable author and editor in lifelong support of pure *laissez-faire*, of international peace, and in determined and intrasigent opposition to all forms of statism, governmental control and militarism. In contrast to British soft-core utilitarianism on public policy, Molinari was an unflinching champion of freedom and natural law.

Coming to Paris, the cultural and political centre of the French-speaking world, at the age of 21 in 1840, Molinari joined the Société d'Économie Politique on its inception in 1842, and became the secretary of Bastiat's association for free trade when it was formed in Paris in 1846. He soon became one of the editors of the association's periodical, *Libre-Échange*. Molinari quickly began to publish widely in the free trade and free market press in Paris, becoming an editor of the *Journal des Économistes* in 1847. He published his first of many books in 1846, *Études Economiques: sur l'Organisation de la Liberté industrielle et l'abolition de l'esclavage* (*Economic Studies: on the Organizaton of Liberty and the Abolition of Slavery*).

The young Molinari, however, hit the *laissez-faire*-oriented Société d'Économie Politique like a thunderclap in 1849, with his most famous and original work. He delivered a paper expounding, for the first time in history, a pure and consistent *laissez-faire*, to the point of calling for free and unhampered competition in what are generally called uniquely 'public' services: in particular, the sphere of police and judicial protection of person and private property. If free competition is better and more efficient in supplying *all other* goods and services, Molinari reasoned, why not for this last bastion, police and judicial protection – a view that over a century later would come to be called 'anarcho-capitalism'.

Molinari first set forth his view in the *Journal des Économistes*, the periodical of the Société, in February 1849.[18] This article was quickly expanded into book form, *Les Soirées de la Rue Saint-Lazare*, a series of fictional dialogues between three protagonists: the conservative (advocate of high tariffs and state monopoly privilege); the socialist; and the economist (clearly himself). The final, or eleventh, *Soirée* elaborated further on how his concept of free market protective services could work in practice.[19]

A meeting of the Société d'Économie Politique in the Autumn of 1849 was devoted to Molinari's radically new theory as expounded in the *Soirées*. After

Molinari had presented the essence of his proposal in a paper, the assembled libertarian dignitaries engaged in a discussion. Apparently the new theory threw them, because unfortunately no one dealt with the essence of the new doctrine. Charles Coquelin and Frédéric Bastiat could only fulminate that no competition anywhere can exist without a back-up by the supreme authority of the state (Coquelin), and that the force needed to guarantee justice and security can *only* be imposed by a 'supreme power', (Bastiat). Both engaged in pure assertion without argument, and both here chose to ignore what they knew full well in all other contexts: that this 'supreme power' had scarcely proved to be a reliable guarantor of private property in the past or present (to say nothing, alas, of the future).

Of all the leading libertarian minds assembled, only Charles Dunoyer deigned to try to rebut Molinari's argument. He deplored that Molinari had been carried away by the 'illusions of logic', and maintained that 'competition between governmental companies is chimerical, because it leads to violent battles'. Apart from ignoring the *truly* violent battles that have always occurred *between states* in our existing 'international anarchy', Dunoyer failed to grapple with the very real incentives that would exist in an anarcho-capitalist world for defence companies to engage in treaties, contracts and arbitrations.[20] Instead, Dunoyer proposed to rely on the 'competition' of political parties *within* a representative government – hardly a satisfactory solution to the problem of social conflict from a libertarian, anti-statist point of view. Dunoyer also opined that it was most prudent to leave force in the hands of the state, 'where civilization has put it' – this from one of the great founders of the conquest theory of the state!

Unfortunately, except for these few remarks, the libertarian economists assembled failed to deal with Molinari's thesis, their discussion largely criticizing Molinari for allegedly going too far in attacking all use of the power of eminent domain by the state.[21]

Particularly interesting was the general treatment of the maverick Molinari by his fellow French *laissez-faire* libertarian economists. Even though he persisted in advocating his anarcho-capitalist or free market protection views for many decades (e.g. in his *Les Lois Naturelles de l'Économie Politique*, 1887), Molinari was scarcely treated as a pariah for his heretical views. On the contrary, he was treated as he indeed was: the logical culmination of their own *laissez-faire* views which they respected even though they could not fully agree. On the death of Joseph Garnier in 1881, Molinari became the editor of the *Journal des Économistes*, a post which he occupied until his ninetieth year in 1909.[22] Molinari only backtracked on his anarchistic views in his very late works, beginning in his *Esquisse de l'organisation politique et économique de société future* (1899). Here he retreated to the idea of a single monopoly defence and protection company,

which service would be contracted out by the central state to a single private corporation.[23]

How Molinari was considered by his colleagues may be seen from the footnote by Joseph Garnier, the editor of the *Journal*, on introducing Molinari's first revolutionary article in 1849. Garnier noted:

> Although this article may appear utopian in its conclusions, we nevertheless believe that we should publish it in order to attract the attention of economists and journalists to a question which has hitherto been treated in only a desultory manner and which should, nevertheless, in our day and age, be approached with greater precision. So many people exaggerate the nature and prerogatives of government that it has become useful to formulate strictly the boundaries outside of which the intervention of authority becomes anarchical and tyrannical rather than protective and profitable.[24]

Fifty-five years later, at the appearance of the first English translation of Molinari's work, his fellow-octogenarian, the *laissez-faire* attorney and economist, Frédéric Passy (1822–1912), wrote a moving tribute to his old friend and colleague Molinari. He wrote of his 'esteem and admiration for the character and talent' of the man 'who is the doyen of our ...liberal economists – of the men with whom, though, alas! few in number, I have been happy to stand side-by-side during more than half a century'. Passy went on to state that these liberal principles had been proclaimed by Cobden, Gladstone and Bright in England, and by Turgot, Say, Chevalier and Bastiat in France. 'And my belief grows yearly stronger that, but for these principles, the societies of the present would be without wealth, peace, material greatness, or moral dignity.' Molinari, Passy added, 'has maintained these principles from his youth', from his *Soirée de la Rue St. Lazare* during the 1848 Revolution, though lectures and writings, to his editorship of the *Journal des Économistes,* where 'month-by-month the important Review of which he is editor-in-chief repeats them in a fresh guise'. And finally, Molinari's books, where: 'annually, so to speak, a further book, as distinguished for clearness of grasp as for admirable literary style, goes out to testify to the constancy of his convictions no less than to the unimpaired vigour of his mental outlook and the virile serenity of his green old age.'[25]

14.5 Vilfredo Pareto, pessimistic follower of Molinari

One prominent person rarely associated by scholars with the Bastiat-Ferrara *laissez-faire* school was the eminent sociologist and economic theorist, Vilfredo Federico Damaso Pareto (1848–1923). Pareto was born in Paris into a noble Genoan family. His father, the Marchese Raffaelle Pareto, a hydraulic engineer, had fled Italy as a republican and supporter of Mazzini. The senior Pareto returned to Italy in the mid-1850s and gained a high rank in the Italian

civil service. The young Pareto studied at the Turin Polytechnic where he earned a graduate engineering degree in 1869; his graduate thesis was on the fundamental principle of equilibrium in solid bodies. As we shall see in a later volume, Pareto's thesis led him to the idea that equilibrium in mechanics is the proper paradigm for investigation into economics and the social sciences.[26] After graduation, Pareto became a director of the Florence branch of the Rome Railway Company, and in a few years he became managing director of a Florence firm manufacturing iron and iron products.

Pareto soon plunged into political writing, taking a fiery stand in favour of *laissez-faire* and against all forms of government intervention, defending personal and economic freedom, and attacking plutocratic subsidies and privileges to business with equal fervour to his denunciations of social legislation or proletarian socialist forms of intervention. Pareto was one of the founders of the Adam Smith Society in Italy, and also ran unsuccessfully for Parliament twice during the early 1880s.

Heavily influenced by Molinari, Pareto's writings came to the latter's attention in 1887. Molinari then invited Pareto to submit articles to the *Journal des Économistes*. Pareto met the French liberals, and formed a friendship with Yves Guyot, who was to be Molinari's successor as editor of the *Journal* and who was to write Molinari's obituary in 1912. Shortly after getting in touch with Molinari, Pareto's mother died, and he was able to give up his manufacturing post, become a consulting engineer, get married, and retire to his villa in 1890 to devote the rest of his life to writing, scholarship, and the social sciences. Freed of his business duties, Pareto plunged into a one-man crusade against the state and statism, and formed a close friendship with the *laissez-faire* neoclassical marginalist economist Maffeo Pantaleoni (1857–1924), who drew Pareto into technical economic theory. Having become a Walrasian under Pantaleoni's tutelage, Pareto succeeded Léon Walras as professor of political economy at the University of Lausanne. Pareto continued at Lausanne, also teaching sociology, until 1907, when he fell ill, and retired to a villa on Lake Geneva, where he continued to study and write until his death.

Pareto's shift into technical neoclassical theory did not for a moment abate his ardent battle for freedom and against all forms of statism, including militarism. An idea of his trenchant *laissez-faire* liberalism can be gained from his article on 'Socialism and Freedom' published in 1891:

> So we can group socialists and protectionists under the name of restrictionists, whilst those who want to base the distribution of wealth solely on free competition can be called liberationists...
>
> Thus restrictionists are divided into two types: socialists, who through the intervention of the state, wish to change the distribution of wealth in favour of the less rich; and the others, who, even if they are sometimes not completely con-

> scious of what they are doing, favour the rich – these are the supporters of commercial protectionism and social organisation of a military type. We owe to Spencer the demonstration of the close analogy of these two types of protectionism. This similarity between protectionism and socialism was very well understood by the English liberals of the school of Cobden and that of John Bright and was clarified in the writings of Bastiat.[27]

Pareto's writings, furthermore, are studded with appreciative and often lengthy quotes from Molinari. Thus, in the same article on 'Socialism and Freedom', Pareto praises Molinari for advancing a unique and bold system that 'proceed(s) towards the conquest of freedom, using all the knowledge that is offered by modern science'.

In his 'Introduction to Marx's *Capital*' in a book on Marxism (*Marxisme et économie pure*, 1893), Pareto was clearly influenced by the French libertarian Dunoyer–Comte concept of the 'ruling class' as whatever group controls the state. He ended the chapter with a lengthy and admiring quote from Molinari, who carried through this libertarian class doctrine. Pareto ended the Molinari quote with this sentence: 'Everywhere the ruling classes have one thought – their own selfish interests – and they use the government to satisfy them.'[28]

Pareto's first great treatise on economics, the *Cours d'Économie Politique* (1896), was heavily influenced by both Molinari and Herbert Spencer. In every polity, he points out, there is a minority ruling class exploiting the majority who are the ruled. Tariffs Pareto treats as an example of legal spoliation, plunder and theft. Pareto left no doubt that his objective was to eradicate all such legalized plunder. As Placido Bucolo points out, Pareto did *not*, as some analysts claim, adopt a Marxian view of class struggle in his *Cours*. Instead, he adopted the French libertarian class doctrine. Thus, Pareto says in the *Cours*:

> the class struggle assumes two forms at all times. One consists in economic competition which, when it is free, produces the greatest ophelimity [utility] ...[For] every class like every individual, even if it only acts to its own advantage, is indirectly useful to the others... The other form of class struggle is the one whereby every class does its utmost to seize power and make it an instrument to despoil the other classes.[29]

Laissez-faire liberalism had been a genuine mass movement in much of the nineteenth century: certainly in the United States and Great Britain, and partially in France, Italy, Germany, and throughout western Europe. Much of the time in the latter half of the century, the socialist idea was considered less of a threat to liberty, by classical liberals such as Pareto and Spencer, than the existing system of militarist and warlike statism dominated by privileged businessmen and landlords, the system to which Pareto would give the vivid