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1. *On the Literature of Liberalism*

In order to keep this book from becoming overlong, I have had to be brief. I considered myself all the more justified in being so since I have already treated thoroughly all the basic problems of liberalism in a series of comprehensive books and essays.

For the reader who wishes to acquire a more exhaustive understanding of these matters, I append the following compilation of the most important literature.

Liberal ideas are already to be found in the works of many of the earlier writers. The great English and Scotch thinkers of the eighteenth and the beginning of the nineteenth century were the first to formulate these ideas into a system. Whoever wants to familiarize himself with the liberal mind must return to them:

David Hume, *Essays Moral, Political, and Literary* (1741 and 1742), and

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), but especially

Jeremy Bentham, numerous writings, beginning with *Defense of Usury* (1787), up to the *Deontology, or the Science of Morality*, published after his death in 1834. All his writings, with the exception of the *Deontology*, were published in the complete edition edited by Bowring between 1838 and 1843.

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John Stuart Mill is an epigone of classical liberalism and, especially in his later years, under the influence of his wife, full of feeble compromises. He slips slowly into socialism and is the originator of the thoughtless confounding of liberal and socialist ideas that led to the decline of English liberalism and to the undermining of the living standards of the English people. Nevertheless—or perhaps precisely because of this—one must become acquainted with Mill's principal writings:

Principles of Political Economy (1848)

On Liberty (1859)

Utilitarianism. (1862)

Without a thorough study of Mill it is impossible to understand the events of the last two generations. For Mill is the great advocate of socialism. All the arguments that could be advanced in favor of socialism are elaborated by him with loving care. In comparison with Mill all other socialist writers—even Marx, Engels, and Lassalle—are scarcely of any importance.

One cannot understand liberalism without a knowledge of economics. For liberalism is applied economics; it is social and political policy based on a scientific foundation. Here, besides the writings already mentioned, one must familiarize oneself with the great master of classical economics:

David Ricardo, *Principles of Political Economy and Taxation* (1817).

The best introductions to the study of modern scientific economics are:

H. Oswald, *Vorträge über wirtschaftliche Grundbegriffe* (many editions)

C.A. Verrijn Stuart, *Die Grundlagen der Volkswirtschaft* (1923).

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The German masterpieces of modern economics are:

Carl Menger, *Grundsätze der Volkswirtschaftslehre* (first edition, 1871). An English translation of the first part of this work has been made available under the title, *Principles of Economics* (Glencoe, Ill., 1950).

Eugen von Böhm-Bawerk: *The Positive Theory of Capital* (New York, 1923). Also instructive is his *Karl Marx and the Close of His System* (New York, 1949).

The two most important contributions that Germany made to liberal literature suffered a misfortune no different from that which befell German liberalism itself. Wilhelm von Humboldt's *On the Sphere and Duties of Government* (London, 1854) lay completed in 1792. In the same year Schiller published an excerpt in the *Neuen Thalia*, and other excerpts appeared in the *Berliner Monatsschrift*. Since, however, Humboldt's publisher feared to issue the book, it was set aside, forgotten, and, only after the death of the author, discovered and published.

Hermann Heinrich Gossen's work, *Entwicklung der Gesetze des menschlichen Verkehrs und der daraus fließenden Regein für menschliches Handeln*, found a publisher, to be sure, but when it appeared in 1854 it attracted no readers. The work and its author remained forgotten until the Englishman Adamson came upon a copy.

Liberal thinking permeates German classical poetry, above all the works of Goethe and Schiller.

The history of political liberalism in Germany is brief and marked by rather meager success. Modern Germany—and this includes the defenders of the Weimar Constitution no less than their opponents—is a world apart from the spirit of liberalism. People in Germany no longer know what liberalism is, but they know how to revile it. Hatred of liberalism is the only point on which the Germans are united. Of the newer German writings on liberalism reference should be made to the works of Leopold von Wiese, *Der Liberalismus in Vergangenheit und Zukunft* (1917); *Staatssozialismus* (1916); and *Freie Wirtschaft* (1918).

Hardly a breath of the liberal spirit has ever reached the peoples of eastern Europe.

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Although liberal thought is in decline even in western Europe and in the United States, one may yet call these nations liberal in comparison to the Germans.

Of the older liberal writers one should also read Frédéric Bastiat, *Oeuvres Complètes* (Paris, 1855). Bastiat was a brilliant stylist, so that the reading of his writings affords a quite genuine pleasure. In view of the tremendous advances that economic theory has made since his death, it is not astonishing that his teachings are obsolete today. Yet his critique of all protectionist and related tendencies is even today unsurpassed. The protectionists and interventionists have not been able to advance a single word in pertinent and objective rejoinder. They just continue to stammer: Bastiat is "superficial."

In reading the more recent political literature in English, one must not ignore the fact that in England today the word "liberalism" is frequently understood as denoting a moderate socialism. A concise presentation of liberalism is given by the Englishman, L. T. Hobhouse, *Liberalism* (1911), and by the American, Jacob H. Hollander, *Economic Liberalism* (1925). Even better introductions to the mind of the English liberals are:

Hartley Withers, *The Case for Capitalism* (1920).

Ernest J. P. Benn, *The Confessions of a Capitalist* (1925). *If I Were a Labor Leader* (1926). *The Letters of an Individualist* (1927). The last-named book includes a bibliography (pp. 74 *et seq.*) of the English literature on the basic problems of the economic system. *The Return to Laisser Faire* (London, 1928).

A critique of protectionist policy is presented by Francis W. Hirst in *Safeguarding and Protection* (1926).

Also instructive is the record of the public debate held in New York on January 23, 1921, between E.R.A. Seligmann and Scott Nearing on the topic: "That capitalism has more to offer to the workers of the United States than has socialism."

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Introductions to sociological thought are provided by Jean Izoulet, *La cité moderne* (first edition, 1890), and R. M. MacIver, *Community* (1924).

The history of economic ideas is presented by Charles Gide and Charles Rist, *Histoire des doctrines économiques* (many editions); Albert Schatz, *L'individualisme économique et social* (1907); and Paul Barth, *Die Philosophie der Geschichte als Soziologie* (many editions).

The role of political parties is treated by Walter Sulzbach in *Die Grundlagen der politischen Parteibildung* (1921).

Oskar Klein-Hattingen, *Geschichte des deutschen Liberalismus* (1911/1912, two volumes) provides an essay on the history of German liberalism, and Guido de Rugaiero does the same for liberalism in Europe in *The History of European Liberalism* (Oxford, 1927).

Finally, I cite my own works in so far as they stand in close connection with the problems of liberalism:

Nation, Staat und Wirtschaft: Beiträge zur Politik und Geschichte der Zeit (1919), in English (1983). **Nation, State, and Economy.**

Antimarxismus (*Weltwirtschaftliches Archiv*, Vol. XXI, 1925).

Kritik des Interventionismus (1929), in English (1977).

Socialism (1936), with *Planned Chaos*, 1951.

Omnipotent Government (1944).

Human Action (1949).

The Anti-Capitalistic Mentality (1956).

2. On the Term "Liberalism"

Those who are familiar with the writings on the subject of liberalism that have appeared in the last few years and with current linguistic usage will perhaps object that what has been called liberalism in the present volume does not coincide with what is understood by that term in contemporary political literature. I am far from disputing this. On the contrary I have myself expressly pointed out that what is understood by the term "liberalism" today, especially in Germany, stands in direct opposition to what the history of ideas must designate as "liberalism"

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because it constituted the essential content of the liberal program of the eighteenth and nineteenth centuries. Almost all who call themselves "liberals" today decline to profess themselves in favor of private ownership of the means of production and advocate measures partly socialist and partly interventionist. They seek to justify this on the ground that the essence of liberalism does not consist in adherence to the institution of private property, but in other things, and that these other things demand a further development of liberalism, so that it must today no longer advocate private ownership of the means of production but instead either socialism or interventionism.

As to just what these "other things" might be, these pseudo liberals have yet to enlighten us. We hear much about humanity, magnanimity, real freedom, etc. These are certainly very fine and noble sentiments, and everyone will readily subscribe to them. And, in fact, every ideology does subscribe to them. Every ideology—aside from a few cynical schools of thought—believes that it is championing humanity, magnanimity, real freedom, etc. What distinguishes one social doctrine from another is not the ultimate goal of universal human happiness, which they all aim at, but the way by which they seek to attain this end. The characteristic feature of liberalism is that it proposes to reach it by way of private ownership of the means of production.

But terminological issues are, after all, of secondary importance. What counts is not the name, but the thing signified by it. However fanatical may be one's opposition to private property, one must still concede at least the possibility that someone may be in favor of it. And if one concedes this much, one will, of course, have to have some name to designate this school of thought. One must ask those who today call themselves liberals what name they would give to an ideology that advocates the preservation of private ownership of the means of production. They will perhaps answer that they wish to call this ideology "Manchesterism." The word "Manchesterism" was originally coined as a term of derision and abuse. Nevertheless, this would not stand in the way of its being employed to designate the liberal

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ideology if it were not for the fact that this expression has hitherto always been used to denote the economic rather than the general program of liberalism.

The school of thought that advocates private ownership of the means of production must in any case also be granted a claim to some name or other. But it is best to adhere to the traditional name. It would create only confusion if one followed the new usage that allows even protectionists, socialists, and warmongers to call themselves "liberal" when it suits them to do so.

The question could rather be raised whether, in the interest of facilitating the diffusion of liberal ideas, one ought not to give the ideology of liberalism a new name, so that the general prejudice fostered against it, especially in Germany, should not stand in its way. Such a suggestion would be well-intentioned, but completely antithetic to the spirit of liberalism. Just as liberalism must, from inner necessity, eschew every trick of propaganda and all the underhanded means of winning general acceptance favored by other movements, so it must also avoid abandoning its old name simply because it is unpopular. Precisely because the word "liberal" has a bad connotation in Germany, liberalism must stick to it. One may not make the way to liberal thinking easier for anyone, for what is of importance is not that men declare themselves liberals, but that they become liberals and think and act as liberals.

A second objection that can be raised against the terminology used in this book is that liberalism and democracy are not here conceived as opposites. Today in Germany "liberalism" is often taken to mean the doctrine whose political ideal is the constitutional monarchy, and "democracy" is understood as that which takes as its political ideal the parliamentary monarchy of the republic. This view is, even historically, altogether untenable. It was the parliamentary, not the constitutional, monarchy that liberalism strove for, and its defeat in this regard consisted precisely in the fact that in the German Empire and in Austria it was able to achieve only a constitutional monarchy. The triumph of antiliberalism lay in the fact that the German Reichstag was so weak that it might be accurately, if not politely,

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characterized as a "babblers' club," and the conservative party leader who said that a lieutenant and twelve men would suffice to dissolve the Reichstag was speaking the truth.

Liberalism is the more comprehensive concept. It denotes an ideology embracing all of social life. The ideology of democracy encompasses only that part of the realm of social relationships that refers to the constitution of the state. The reason why liberalism must necessarily demand democracy as its political corollary was demonstrated in the first part of this book. To show why all antiliberal movements, including socialism, must also be antidemocratic is the task of investigations that undertake to provide a thorough analysis of the character of these ideologies. In regard to socialism, I have attempted this in my book of that title.

It is easy for a German to go astray here, for he thinks always of the National Liberals and the Social Democrats. But the National Liberals were not, even from the outset—at least in matters of constitutional law—a liberal party. They were that wing of the old liberal party which professed to take its stand on "the facts as they really are"; that is, which accepted as unalterable the defeat that liberalism had sustained in the Prussian constitutional conflict from the opponents on the "Right" (Bismarck) and on the "Left" (the followers of Lassalle). The Social Democrats were democratic only so long as they were not the ruling party; that is, so long as they still felt themselves not strong enough to suppress their opponents by force. The moment they thought themselves the strongest, they declared themselves—as their writers had always asserted was advisable at this point—for dictatorship. Only when the armed bands of the Rightist parties had inflicted bloody defeats on them did they again become democratic "until further notice." Their party writers express this by saying: "In the councils of the social democratic parties, the wing which declared for democracy triumphed over the one which championed dictatorship."

Of course, the only party that may properly be described as democratic is one that under all circumstances—even when it is the strongest and in control—champions democratic institutions.