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April 22, 2010  
Thursday

## A seeming contradiction

**Johnathan Pearce (London)** Globalization/economics • Opinions on liberty

Over at the **Stumbling and Mumbling** blog, the author asks this question, after watching an interesting TV programme about the sort of free market activities he sees going on in bits of Africa:

*"Why is it that the societies that come closest to the libertarian ideal are poor ones, rather than rich? (It would, I think, be a stretch to argue that libertarianism causes poverty in this case). What is it about wealthier societies that brings with them bigger government?"*

I think this can be fairly easily explained: as countries get richer, their voters think - naively - they can afford to have big government, at least until they start to hit those sort of problems that we have encountered in the West in recent decades with government overload. In the US, for example, the country became so rich, relatively, after the Second World War that things like the Great Society reforms, or the Space Program, were easier to contemplate and the risks and costs could be shrugged off, at least for a while. I guess what happens is that after a burst of wealth creation - as in the UK's Industrial Revolution - part of the population that has made a lot of money wants to ease up, or wants to turn to the easier, and possibly more exciting, realm of politics.

I sometimes notice that some of the noisiest anti-libertarians, such as many academics in the universities, live in the US, the world's richest nation, and I think the two things are in fact connected. If you have an incredibly wealthy country, it spawns a lot of folk who have the inherited wealth, the time, and the inclination, to make a living outside the immediate commercial system, and hence, will argue for something different. You can see this in certain family businesses: the Alpha Male type sets it up and makes

| what are we? |

**The Samizdata people** are a bunch of sinister and heavily armed globalist illuminati who seek to infect the entire world with the values of personal liberty and several property. Amongst our many crimes is a sense of humour and the intermittent use of British spelling.

**We are also a varied group** made up of social individualists, classical liberals, whigs, libertarians, extropians, futurists, 'Porcupines', Karl Popper fetishists, recovering neo-conservatives, crazed Ayn Rand worshipers, over-caffeinated Virginia Postrel devotees, witty Frédéric Bastiat wannabes, cypherpunks, minarchists, kritarchists and wild-eyed anarcho-capitalists from Britain, North America, Australia and Europe.

The **Samizdatistas** are:

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a shedload of money; the son is sent to a posh school and starts to want to be part of the Establishment and is teased by his schoolfriends for being in "trade". The next son may end up in the professions, and as such, will tend to be drawn towards the State, or at least take a more benign view of state power than granddad. And I think this is partly what happened in the UK in the second half of the 19th Century and into most of the 20th Century. Part of the "business class" that might be expected to form the backbone of a free market order got housetrained by a remarkably conservative, ruralist, anti-commerce establishment. (This book makes such a case, for example).

There is also the issue of "correlation is not causation". Just because big government can sometimes be seen in wealthy societies in no way proves that the former helps bring about the latter, or vice versa. Stumbling and Mumbling implies that libertarianism, being what it thinks might be a simple-minded creed, cannot work in a sophisticated, wealthy society. In fact, I'd argue quite the reverse: the more complex a society is with a complex division of labour and profusion of individual tastes and demands, the less effectively big government tends to work. In fact, there are plenty of examples of rich societies with a relatively small government - perhaps Hong Kong being one of the best examples.

The CATO Institute's annual index of freedom report also suggests a pretty close relationship between countries that are rich and where the government focuses on the core, minarchist roles of protecting life and property, enforcing contracts, preventing fraud, etc. That does rather undermine the point made in the comment I link to.

It is, of course, excellent news if it is true that parts of Africa are heading down the pro-market route. But using such examples to make a bit of a dig against the wider application of classical liberal ideas is unfounded.



Comments



What is it about wealthier societies that brings with them bigger government?

Ask Willy Sutton; "Because that's where the money is." A wealthy society has more for the government to take. It does more that the government can regulate.

Posted by Ian Bennett at April 22, 2010 09:35 AM



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Liberty's cause transcends mere national borders



△

One also needs to look at history, rather than just the moment.

Much of Africa was substantially more statist than it is now. Wealthier countries used to be much more free market.

Posted by Dishman at **April 22, 2010 10:41 AM**



△

I am exactly the kind of descendant of a rich entrepreneur type that you describe. And one of the reasons I have worked so hard to spread libertarianism is that it presents the views of "granddad", and argues for the legal framework that made his achievements possible, in a way that might actually appeal to his relatively ignorant and unworldly grandsons. It has the intellectual content of pro-capitalism, but psychologically it has quite a lot of the look and feel socialism, and answers all the complaints from socialists in terms of alleged socialist ambitions, for the poor especially. Therefore, it may, at least somewhat, displace socialism in the intellectual and political landscape, in a way that a political movement launched by granddad never could. It will thus keep the spirit of granddad alive.

Posted by **Brian Micklethwait** at **April 22, 2010 11:09 AM**



△

i don't know... Botswana, arguably the most free-market economy in Africa, seems to do fairly well compared to most of its neighbours, and they would do even better without the scourge of HIV/AIDS. Mauritius, too, has seen rapid growth due to free market policies. I wonder which countries the author is thinking about, is this "SOMALIA!!!!!" all over again?

Posted by lukas at **April 22, 2010 11:11 AM**



△

Brian, good point. In fact, I am a wholehearted supporter of inherited wealth for the reason that Hayek gave, in that it created a class of folk who had time on their hands to ponder new ways of living and thinking, innovating in certain ways, rather than spend all their waking hours toiling away. (For obvious reasons, a lot of folk on different sides of the spectrum of politics hate this insight).

The "cycle of wealth" issue that happens with some families



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is not the whole story, of course. Some ancient families with long histories can, and are, associated with what I would call liberal civilisation in its best sense, such as supporting the intermediary institutions that form those Burkean "little platoons".

What I was trying to get at is the issue of "gentrification" - in some societies, such as the UK's, it is very easy for people, once they have forgotten where money comes from, to be beguiled by the option of turning to the State. Look at the sort of folk often associated with the Green movement in the UK, such as the Porritts, Goldmiths, Melchetts, and the rest. The mindset tends to be pro-state in effect if not always in design.

Posted by Johnathan Pearce at **April 22, 2010 11:32 AM**



You make your money, you want to keep to it, you move to politics to make sure that your wealth is protected. Vested interests, lobbying, etc.....

Posted by **Hektor** at **April 22, 2010 11:41 AM**



Well, I think this ties in with my article on Old Nichol, and Johnathan's highlighting the distaste at "petty capitalism". I think one of the elements driving *our* form of Big State; the model which generally applies since the anglosphere invented it; is an idea that "business" is a matter for a particular business class, and the greater mass of the population should adopt a subordinate dependent role as "employees". So a society with that model in mind (I appreciate that "societies" don't have minds of their own, what I mean is that that view is held by influential members of that society) is going to adopt bigger and bigger institutions, particularly government, and naturally veer away from liberalism.

The petty capitalist has an awareness that, even if it is very difficult, he can better himself. Once they are part of a class of employees, they can only improve by bettering their class as a whole; that is, for instance, an individual in a group who all get the same wage can't get a payrise just for himself, he has to work for a payrise for his employee collective and that leads to "class struggle". So entrepreneurship cultures full of petty capitalists are more "libertarian" and employment economies will become more "socialist".

The western model isn't necessarily natural. It arose for a variety of interesting historical reasons. The people of Old Nichol, and much of the rest of the poor, were trying to be individualist capitalists, and their "betters" determinedly stamped that out, to concentrate "business" as an activity of the "business class". Our socialised societies are a consequence of that (and other things of course). So we have to ask whether as some kind of universal law, every

advancing society will automatically seek that social model, or whether it's a consequence of particular historical processes in the Western World. What I'm trying to get at here is, to use an example, most of the religious people on the planet worship in one way or another the Jewish God. That's a consequence of particular processes in history; it would be erroneous to presume that no society can advance without worshipping that particular god. Likewise we shouldn't presume that because the "anglo model" dominates the economic world that that is the only possible model.

It just so happens that the two superpowers of the industrial era are anglo nations- Britain and America, and have thus spread their ideology far and wide. In both cases though they actually rose to power before or in the early stages of the anglo-statist model. The rise of cloying statism in Britain accompanied our decline from superpower status and the same may now be happening to the USA.

Posted by Ian B at **April 22, 2010 12:03 PM**



But Hektor, Big Government is more likely to **take** your hard-earned wealth than it is to protect it. A strictly limited government should be more attractive to the wealthy because those limits prevent it from plundering your wealth, whereas big government is able to take it from you (and needs to do so, simply to sustain itself).

At the same time, strictly limited government should also be more attractive to the less wealthy, assuming they have sufficient moral compass to recognise the evils of parasitism, and sufficient intellectual wherewithal to compete with others on a fair basis.

Posted by Ian Bennett at **April 22, 2010 12:19 PM**



My post wasn't intended to be a dig at libertarianism; it was simply asking the question.

Your answer raises other issues:

1. If voters think naively that a richer society can afford big government, doesn't this imply a big tension between libertarianism and democracy? Is it possible to be a libertarian and a democrat?
  2. What is the origin of this naivete? (It seems to exist in all wealthy societies, which requires a supra-national answer).
  3. Why have the problems that big government brings not led to more of a backlash? I mean, in 2007-08 (the peak of a cycle), the UK government spent 41.1% of GDP. That's pretty close to the 41.9% it spent at the cyclical peak of 1972-73. 35 years of experience of trouble with big government did not create much desire to reduce it, it seems.
- As I say, I ask all this not to to snark in a partisan way, but merely to try to understand what's going on.

Posted by **chris** at **April 22, 2010 12:35 PM**

Chris, I was not thinking you were being snarky, so my use of the word "dig" should not mean that. Your post was very courteous and I also enjoyed reading the comment thread along with it.

As for the tension between democracy and liberty, this is something we have commented on before quite a lot, in fact. There is a tension: democracy means that if 51% of the population want to empty the wallets of the 49%, then without any checks, balances or other constraints, this is what happens. The Public Choice School (as in James Buchanan and friends) has also pointed out how government can, in a democracy, take on a sort of momentum of its own.

The growth of mass democracy has sometimes coincided with, and occasionally been friendly to, liberty as we would understand it. But then again, there are times when voters have voted to rob their fellows, vote for oppressive laws, and the like. And of course there is the sort of "ratchet effect" that Maggie and Sir Keith Joseph used to talk about in terms of the difficulty in reversing a move towards a bigger state.

Democracy is the least-bad way of removing a government from power peacefully. ("Kick the rascals out") But I tend not to put much more store on democracy than that.

Posted by Johnathan Pearce at **April 22, 2010 01:02 PM**

Johnathan, people tend to criticise democracy as the tyranny of the majority, but in the overwhelming number of cases, democratic systems are arranged to ensure the tyranny of *minorities*.

If every law required the active vote of over half the population, hardly any would ever pass. That is, if you could only pass a smoking ban if at least 51% of the eligible population had to get to a polling station and actively vote for it, it wouldn't make it into law. The Can't Be Bothereds and the Don't Cares would make a fine bulwark against authoritarian government.

Most of our laws are made because activists only have to get the votes of 324 MPs or, in most cases, of just a handful of ministers (since most votes are whipped anyway). Ruling parties rarely get more than 50% of the popular vote, let alone of the population, in a general election. That isn't the tyranny of the majority.

Posted by Ian B at **April 22, 2010 02:07 PM**



Can I suggest another element in the equation? **Rule of Law.**

Perhaps there are two different factors at work here:

1. As mentioned above, our wealthy (western) societies believe we can "afford" big-statism. We stay wealthy in spite of this (although that won't continue, as the big-state grows...)
2. In Africa, i.e. the "petty capitalists", the problem is the lack of Rule of Law to allow the petty capitalists to keep their newly acquired wealth, and build on it.

Damon

Posted by Damon at **April 22, 2010 02:10 PM**



Sorry, I was quite succinct with my comment, so I shall elaborate.

As in the example above, the father or grandfather makes a pile, but the chances are that his progeny are too lazy to continue making money (too much boring hard work when you're rich already) or the competitive advantage is gone. Thus, to maintain your relative status (what good is earning £1,000,000 every year if everyone else is doing so?) you enter politics to make sure that you stay on top of the pile. You get your (grand)father's company contracts, you build up a network, you hamstring others making it harder for them to compete. It is also a "safe" way of making a living: you need no qualifications and it doesn't really matter if you're awful at your job!

Posted by **Hektor** at **April 22, 2010 02:35 PM**



*Thus, to maintain your relative status (what good is earning £1,000,000 every year if everyone else is doing so?) you enter politics to make sure that you stay on top of the pile.*

Hektor, that's a really cynical view of capitalism! Wealth is only desirable if it's relative to others? Personally I'd prefer more people to be wealthy because it's wealthy people who make stuff more available for everyone.

Posted by Ian Bennett at **April 22, 2010 02:54 PM**



Not capitalism, human nature. Otherwise bankers would retire after their first bonus! People are generally greedy and envious given half a chance. Slightly less cynically, they also want to look after their children and set them up as well as possible for life (how do you afford Eton's school fees) and to buy nice trinkets, such as Ferraris. These are exclusive and status building and by lying down and letting others reach your level of wealth you effectively give them up both for yourself and your children.....

Posted by **Hektor** at **April 22, 2010 03:09 PM**



Ian, so you think that direct democracy can be at least part of a solution?

Posted by **Alisa** at **April 22, 2010 03:59 PM**



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