

The Foreign Policy of a Democratic Socialist Regime: From Intervention to Protection to Warfare

Makovi, Michael

25 March 2016

Online at https://mpra.ub.uni-muenchen.de/70308/MPRA Paper No. 70308, posted 26 Mar 2016 11:15 UTC

The Foreign Policy of a Democratic Socialist Regime: From Intervention to Protection to Warfare Michael Makovi*

Abstract: Discussions of democratic socialism have focused on whether that system is compatible with domestic civil liberties. Less attention has been paid to its foreign policy implications. Despite the widespread acceptance of the democratic peace hypothesis, democratic socialism would be incompatible with peaceful foreign relations. Economic intervention and economic planning – even democratic – cannot be successful without insulating the domestic economy from foreign competition. This implies economic nationalism and autarky. Moreover, democratic socialism is often justified by the notion that the democratic will of the people should be absolutely sovereign. Such a conception of democracy has no place for constitutional limits on power. Such an unlimited democracy would soon prove illiberal and liable to be captured by a demagogic authoritarian dictator, and this would only exacerbate the deleterious foreign policy consequences of economic nationalism. Democratic socialism is therefore incompatible with the cosmopolitan and humanitarian values of democratic socialists.

JEL Codes: A12, B24, B25, B53, D70, F0, P10, P20, P30, P50

Keywords: Hayek; Road to Serfdom; democratic socialism; market socialism; economic democracy; totalitarianism; public choice; government failure; liberal democracy; illiberal democracy; democratic peace; capitalist peace

Discussions of democratic socialism (Friedman 1962: 7, Makovi 2016a, 2016b, 2016c; Ikeda 2016, Boaz 2016) have tended to focus on the domestic policy of democratic socialism, investigating whether democratic socialism – or economic democracy, to be distinguished from social democracy or the mixed economy (Makovi 2016a) – is compatible with civil liberties. Their negative conclusions have tended to closely follow F. A. Hayek (2007 [1944]), who famously argued that democratic socialism would lead us down "the road to serfdom." Even several socialists expressed qualified agreement with Hayek. For example, Maurice Dobb declared that "Either planning means overriding the autonomy of separate decisions, or it apparently means nothing at all" (quoted in Trygve J. B. Hoff 1981: 267; cf. Hayek 1948: 158). Similarly, H. D. Dickinson remarked that "even if a socialist

^{*} Recent graduate (spring 2015) of Loyola University, New Orleans (BA, Economics). This paper originated as a term paper written for a literature course titled "George Orwell and the Disasters of the 20th Century," and the author thanks the instructor, Professor William T. Cotton of Loyola University, New Orleans for his constructive criticisms. Sarah Skwire, a fellow at Liberty Fund, had countless helpful conversations with the author about that same term paper. A draft version was presented at the March 31st – April 2nd 2016 Austrian Economics Research Conference (AERC) in Auburn, Alabama, and the author gratefully acknowledges the waiving of the conference registration fee and the receipt of free hotel accommodations paid for by the Ludwig von Mises Institute. All errors and shortcomings remain the author's.

planner wished to realize freedom he could not do so and remain a planner" (quoted in Hayek 1948: 206). Robert Heilbroner was most explicit of all concerning socialism's reliance on command. According to him (1978: 345),

If tradition cannot, and the market system should not, underpin the socialist order, we are left with some form of command as the necessary means for securing its continuance and adaptation. Indeed, that is what planning means. Command by planning need not, of course, be totalitarian. But an aspect of authoritarianism resides inextricably in all planning systems. A plan is meaningless if it is not carried out, or if it can be ignored or defied at will. Some form of penalty must assure the necessary degree of compliance. Compliance need not be total, and penalties need not be Draconian. Incentives may succeed where punishments fail. But planning will not assure a socialist society of a capacity to endure or adapt unless the planning is a system of effective *command*. From that conclusion I see no escape.

Heilbroner concluded (1978: 348) that, "What is important, in trying to think about socialism, is to resist the delusion that history is so soft and indeterminate that we can have a socialist cake with bourgeois icing." For this reason, Heilbroner said (1978: 347), "The rights of individuals to their Millian liberties . . . [are] directly opposed to the basic social commitment to a deliberately embraced collective moral goal." Heilbroner would later add (1986: 126) that "democratic liberties have not yet appeared, except fleetingly, in any nation that has declared itself to be fundamentally anticapitalist."

Far less has been said, however, about the foreign policy of a democratic socialist government. Perhaps this is because it is assumed that according to the democratic peace hypothesis, a democratic socialist government will necessarily pursue peaceful relations with foreigners, and that nothing further need be said. This essay will question this assumption and propose just as democratic socialism cannot guarantee domestic civil liberties, it is equally incompatible with international peace. The foreign policy of a democratic socialist government, we shall argue, will tend to be militant, belligerent, and hostile to those abroad, contrary to the democratic peace hypothesis.

Democratic socialism, it must be emphasized, embraces government economic planning. While the planners are to be guided by the democratic will of the people, democratic socialism nevertheless embraces economic planning (Makovi 2016a). For example, Michael Harrington (1978: 357) declares, "What must be done—in theory and in practice—is to counterpose democratic planning to command planning." Compared to Soviet-style planning, what Harrington wishes to change is not *what* is done but merely *by whom* it is done. Discussing democratic socialists in general, Don Lavoie (1985: 135) takes notice of "their insistence that the planning they advocate must be decentralized, or 'from the bottom up,' rather than centralized, or 'from the top down.'" Lest one mistakenly believe that such decentralized planning implies a rejection of government planning, Lavoie (*ibid*.) immediately adds, "it must be clarified that these writers do believe there will have to be one central office that will have to oversee and coordinate the plans of other levels and branches of government." Notwithstanding that the impetus for such planning will originate democratically, this still implies government planning of the economy."

A democratic socialist government, then, would systematically intervene throughout the operation of the economy, both intensively as well as extensively. The question is, what does this mean for foreign policy? It turns out that democratic socialism cannot be implemented without resorting to an economic nationalism whose implications for foreign policy are contrary to the humanistic values which motivated democratic socialism in the first place. Insofar as democratic socialists strive for peace and the protection of human rights, the adoption of nationalism implies foreign policies which are incompatible with the goals of democratic socialism. In contrast to the vaunted "democratic peace theorem," democratic socialism would in fact give rise to international conflict and antagonism, in violation of democratic values.

This argument was made most clearly by Ludwig von Mises (1985 [1944], esp. ch. 3, pt. 4-10)² and by Gustav Cassel (1934), but it is compatible with Hayek (2007 [1944])'s analysis. Indeed, Hayek approvingly cites both Mises and Cassel (Hayek 2007 [1944]: 239f.).³ Mises and Cassel argue that a socialist regime – including a democratic one – must, for several reasons be averse to foreign commerce. This opposition to international trade in turn implies that militancy, belligerency, and bellicosity will ensue from the consistent pursuit of socialism.

There are several reasons why a socialist regime would be averse to foreign commerce. First, international trade is opposed to the values of socialism because it is a market-based activity. As such foreign commerce is ideologically anathema and the truly socialist state is necessarily autarkic (Mises 1985 [1944], Osterfeld 1992: 7). Furthermore, foreign trade reduces national sovereignty by ceding economic power to the foreign trading partner (Mises 1985 [1944], Osterfeld 1992: 181f.). No government can exercise power beyond the territory subject to its own sovereignty. Imports must be paid for with exports, and purchasing imports requires producing goods for exports which satisfy foreigners. This means the government's domestic economic plan must satisfy the whims of fickle foreigners who are not subject to the government's sovereignty. International trade therefore hampers any government's power to successfully intervene in the domestic economy. A government cannot successfully intervene in its domestic market unless it is insulated from foreign markets. In Mises's words (1985 [1944]: 3),

A national government's might is limited to the territory subject to its sovereignty. It does not have the power to interfere directly with conditions abroad. Where there is free trade, foreign competition would even in the short run frustrate the aims sought by the various measures of government intervention with domestic business. When the domestic market is not to some extent insulated from foreign markets, there can be no question of government control.

For example, if a state wishes to boost domestic wages in a given industry by establishing minimum wages or legally privileging unions, then it must establish trade barriers to keep foreign states from undercutting those wages by offering cheaper goods. Contrariwise, when a state is unable to impose such barriers to trade, its ability to domestically intervene is limited because any attempt at domestic intervention will too quickly prove itself to be self-defeating. Similarly, when the state of Washington tried to legally favor unions, Boeing responded by voting with its feet and relocating to the "right to work" state of South Carolina. In such a case, it is too obvious that domestic intervention was responsible for undesirable consequences. But had Boeing been

forbidden to vacate Washington, it would have been more difficult for voters to discern that legal regulations had artificially raised the cost of business. Trade restrictions are resorted to as a form of cost-concealment, a means by which foreigners are forbidden to expose the manner in which domestic interventionism has raised costs and reduced productivity.

Hence, where there is freedom of international trade, conditions in foreign markets will tend to undermine and disrupt the domestic central plan of the socialist state and expose it vacuousness. Where international trade is unrestricted, domestic intervention will too quickly prove self-defeating. Therefore, under thoroughly consistent socialism, foreign trade must be limited if not entirely precluded so that the state can plan with confidence without its sovereignty being undermined. But if imports are banned, then the state must militarily conquer those territories which possess desired resources (Mises 1985 [1944], Cassel 1934). The logical consequence of such autarky is therefore militant expansionism. Even if militarism is eschewed, it is inevitable that foreign antagonisms and conflicts will ensue. It is impossible for two nations to remain on good terms when the one nation perceives the other as undermining all of its cherished hopes and dreams.

Lord Percy of Newcastle (1955) made a similar argument. According to him, absolute democracy — unlimited sovereignty of the popular will — leads to nationalism, which in turn restricts foreign relations. "[T]he very idea of a constitution is essentially repugnant to the pure democrat" (Percy 1955: 61). Further, "a sovereign people must not allow its own decrees of yesterday to limit its freedom to meet the needs of today. . . . Thus the incompatibility of unmixed democracy with settled law" (Percy 1955: 50). Popular sovereignty cannot tolerate any limitations on its own democratic authority. But the General Will cannot easily be determined or expressed except at the local level (Percy 1955: 56, 62). One solution to this dilemma, he says, is nationalism (Percy 1955: 75-110). The sovereign people is united by a common nationality and the constitutionally unlimited General Will is expressed at the national level. Similarly, Mises (1985 [1944]: 83) said, "Thus the right of self-determination and of government by the people, as expounded by Western liberalism, becomes transformed into the principle of nationality." But such nationalism quickly leads to a closed economic democracy which turns to belligerency and militarism. According to Percy (1955: 99f.),

[M]ost of the members of the new family of nations, created by the Peace of Versailles . . . existed, so the argument had run, because their peoples were entitled to sovereignty. If their governors could not find a way to be democratic nationalists, they were bound to try to assert themselves as economic nationalists. For the corporate franchises and the international dealings of world capitalism are the most irritating possible challenges to the claim of a sovereign people to sole power within its own territory. An economic democracy must be a closed system; hence Marx's thesis that it could be established only in a World state as the result of an international revolution. ... Thus, to vary the metaphor, the best diagnosis of the convulsions of Europe between the wars is that they were the result of economic shock, operating on a constitution undermined by the peculiar religious mania of nationalism.

In short, both unlimited democracy and socialism lead to national socialism.. Neither unlimited democracy nor

socialism nor nationalism can tolerate foreign interference in domestic economic planning nor can they allow diminution of domestic popular sovereignty. Therefore, insofar as they are followed consistently to their logical ends, they all lead to autarky, belligerency, and militarism, or at least to grating foreign conflicts and antagonism.

In general, then, domestic interventionism gives rise to antagonism and conflicts of interests among nations whereas international trade and foreign commerce are mutually beneficial and create a harmony of interests among trading partners. In an ideological climate which favors domestic interventionism, foreigners will no longer be seen as offering opportunities for mutually beneficial cooperation. Instead, they will be perceived as threats who disrupt the domestic economic plan. A nation which accepts international free-trade implicitly believes that cooperation with foreigners is beneficial to the nation, and such a nation is unlikely to desire to go to war against the same foreigners with whom it was celebrating cooperation just moments prior. By contrast, a nation which believes that foreigners pose a threat to domestic democratic sovereignty is less likely to see anything incongruous in declaring war against those who pose such threats. A nation's domestic economic policy will shape whom it declares to be its friends and its enemies. As Mises says (1990: 210), discussing the classical liberal theory of conflict,⁵ "There is no social doctrine other than that of the 'orthodox' and 'reactionary' economists that allow[s] the conclusion that peace is desirable and possible."

This relationship between domestic interventionism and foreign militancy helps explain Hayek's argument in the *Road to Serfdom* (2007 [1944]) that German National Socialism was not a corruption or departure from socialism. Instead, the Nazis had merely pursued socialism to its logical conclusion. According to Hayek, the Nazis had simply been more willing than the German Social Democrats to use whatever means were necessary to implement socialism (Hayek 2007 [1944]: 146, 160, 182). Similarly, Lord Percy called the Germans "an insurgent people, claiming the 'right to work' in a territory sufficiently extended, and a State effectively socialized, for that purpose" (Percy 1955: 103; cf. 105). Similarly, Mises (1985 [1944]: 1) explained that "The essential point in the plans of the German National Socialist Workers' Party is the conquest of Lebensraum for the Germans, i.e. a territory so large and rich in natural resources that they could live in economic self-sufficiency at a standard not lower than that of any other nation." Furthermore, (Mises 1984 [1944): 234),

The Nazis also desire government control of business. They also seek autarky for their own nation. The distinctive mark of their policies is that they refuse to acquiesce in the disadvantages which the acceptance of the same system by other nations would impose upon them. They are not prepared to be forever "imprisoned," as they say, with a comparatively overpopulated area in which the productivity of labor is lower than in other countries.

And again (Mises 1984 [1944]: 244):

On the one hand they [the Nazis] saw in an age rapidly moving toward economic autarky a dark future for a nation nation which can neither feed nor clothe its citizens out of its domestic natural resources. On the other hand they believed that they were powerful enough to avoid this calamity by conquering a sufficient amount of *Lebensraum*.

Democratic socialism's tendency towards economic nationalism and therefore hostile foreign relations is

exacerbated by the fact that here, democracy would be unlimited and therefore illiberal (Makovi 2016a). Democratic socialism is often justified by a conception of democracy as implying the unlimited sovereignty of the people. For example, Michael Walzer's defense of democratic socialism argues that value inheres not in the socialist outcomes but in the democratic process itself (Walzer 2010, 1978: 358). This means that for Walzer, democracy is not a means but an end. Several other advocates of democratic socialism seem to agree, saying for example that "the democratic process means allowing people to make direct input into decisions that affect their lives" (Lavoie 1985: 127 quoting Tom Hayden) and that we need "active popular participation in the day-to-day running of the basic institutions of the economy and the society" (Lavoie 1985: 127 quoting Barry Bluestone and Bennett Harrison). In this conception, democracy is not merely a means for obtaining the good – such as by restraining governmental abuse of power to protect minorities – but rather, democracy is itself fundamentally constitutive of the good. The good is good because it is democratic. It is not the outcomes or benefits of democracy which are good, but democracy is itself good regardless of its consequences. ⁷ But when the good is defined by the democratic consensus, there is no room left for any constitutional restraints on the exercise of democratic power. This may quickly produce an illiberal democracy where there are no constitutional limits on power (Percy 1955: 61, Röpke 1998 [1957]: 66, 68, Hayek 1984 [1976]: 353, Mises 1981 [1922]: 64f.). This creates a ripe environment for a demagogue to seize power. As Jacob Talmon notes (1960: 104f.),

The ancients have already understood, and indeed witnessed, the phenomenon of extreme democracy leading straight to personal tyranny. Modern experience has added one link, the role of the totalitarian-democratic vanguard in a plebiscitary régime, posing as the people. The fervour and ceaseless activity of the believers, on the one hand, and intimidation practised on opponents and the lukewarm, on the other, are the instruments by which the desired "general will" is made to appear as the will of all. Only one voice is heard, and it is voiced with such an insistence, vehemence, self-righteous fervour and a tone of menace that all other voices are drowned, cowed, and silenced.

Such things have often happened in recent decades in Latin America, for example, "with the urban poor seeking salvation through a strong, populist leader" (Hague and Harrop 2007: 52). Thus, unlimited democracy will display a tendency to degenerate into demagogic authoritarian dictatorship, and from there, to nationalism (Makovi 2016a). This will only exacerbate any tendency for a democratic socialist government to resort to autarky and foreign belligerency to safeguard the integrity of the domestic economic plan and protect it from disruption by foreign market competition.

The democratic peace theory is therefore false, at least in its simplest form: it cannot be true that democracies never go to war against each other simply *because* they are democracies. If anything, unlimited democracies will go to war *more* often because they are nationalistic. If a populist demagogue wins a democratic election by declaring that Mexico's prosperity comes at the expense of the welfare of the United States, or by preaching the doctrine that Germans cannot be rich unless Frenchmen are poor, it is hard to understand how this will not tend to magnify international conflict. The doctrine that foreign commerce is a zero-sum game is

incompatible with world peace. If there is any nation which is less likely to go to war, it is those nations which permit international free-trade at the expense of popular or national sovereignty because they understand that trade is a mutually beneficial, positive-sum game. Emphasis should be placed on the third of Woodrow Wilson's "Fourteen Points" (1918), calling for "The removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance." "Wilson['s] . . . idea that . . . democracies cannot derive any profit from conquest and therefore cling to peace . . . is valid only within a system of private ownership of the means of production, free enterprise, and unhampered market economy" (Mises 1984 [1944]: 5). The fact that Europe has been peaceful since World War II has less to do with democracy and more to do with the common market which has united Europe economically since 1957. This common market is certainly liberal but it is undemocratic insofar as it deprives domestic European states of complete democratic sovereignty. In other words, if democracies have in fact been less less likely to go to war, it is because they have tended to be more liberal than democratic. 9

We can summarize this extended argument with the Manchester School's aphorism that "Where goods do not cross borders, armies will." Domestic economic intervention cannot succeed without international isolation and restriction of trade. Foreigners cannot be allowed to undercut and circumvent domestic regulation. But this in turn leads to warfare – or at least, to hostile foreign relations. Whereas international free-trade creates a harmony of interests, domestic interventionism and protectionism give rise to conflicts of interest and foreign antagonisms. Thus, Nazi/Soviet military expansionism was merely a consequence of socialist economic policy pursued consistently to its final implications. At best, even if warfare is avoided, domestic interventionism still leads to isolation and insularity; nearly all contact with foreigners must be restricted in order to safeguard the integrity of the domestic economic plan. Democratic socialism must restrict international trade and foreign relations in order to ensure the effectiveness of the central plan and protect the people's democratic popular sovereignty. But this would give rise to consequences in foreign policy contrary to the cosmopolitan and humanitarian values of the democratic socialists. Democratic socialism is inconsistent with international multiculturalism, and it requires discriminating against foreigners – treating them as something other than one's fellow human beings possessing equal rights and dignity.

Therefore, democratic socialism or economic democracy is – like economic nationalism – incompatible with cosmopolitanism and international peace. Domestic interventionism cannot be sustained as long as imports are allowed undermine the plan. Thorough domestic interventionism is impossible without protectionism and national self-sufficiency. This in turn must result in either bellicosity, belligerency, and warfare, or else isolationism and complete disregard for foreigners. Either way, democratic socialism is therefore inconsistent with a philosophy which regards all human beings around the world as essentially equal in rights and dignity. The "democratic peace theorem" is not true – at least not in the form Woodrow Wilson conceived it. If democracies do not go to war, it is *not* because they are democratic, but it is because they agree to permit international free-trade. But democratic socialism would have to restrict foreign commerce, and so the

Works Cited

- Adamson, Walter L. "Review: Convergences in Recent Democratic Theory." *Theory and Society* 18:1 (Jan.): 125-142.
- Boaz, David. (2005). "The Man Who Told the Truth: Robert Heilbroner fessed up to the failure of socialism." *Reason. 21 Sept. < http://reason.com/archives/2005/01/21/the-man-who-told-the-truth [accessed: 17 Feb. 2016]
- ----. (2016). "What Socialism Requires." *Huffington Post*. 22 Sept. http://www.huffingtonpost.com/david-boaz/bernie-sanders-democratic-socialism_b_9055290.html [accessed: 17 Feb. 2016]
- Boettke, Peter J. (1995). "Hayek's The Road to Serfdom Revisited: Government Failure in the Argument Against Socialism." *Eastern Economic Journal* 21:1 (Winter): 7-26. Rpt. in Boettke, *Calculation and Coordination*, London/NY: Routledge: 47-65.
- Cassel, Gustav. (1934). "From Protectionism through Planned Economy to Dictatorship: Address Delivered in London on May 10, 1934." *International Conciliation* 16 (1934-1935) 307-25.

 http://heinonline.org/HOL/Page?
 handle=hein.journals/intcon16&g sent=1&collection=journals&id=321#321> [accessed: 11 April 2014]
- Dafoe, Allan, John R. Oneal, and Bruce Russett. (2013). "The Democratic Peace: Weighing the Evidence and Cautious Inference." *International Studies Quarterly* 57:1 (March): 201–214.
- Douglass, Frederick. (1991 [1864]). "A Friendly Word to Maryland: An Address Delivered in Baltimore, Maryland." *The Frederick Douglass Papers, Series One: Debates and Interviews, Volume 4: 1864-80*. New Haven: Yale University Press: 48.
- Ebeling, Richard. (1997). "Book Review" (review of Rummel 1997a). *Freedom Daily*. November. https://web.archive.org/web/20121110193633/http://fff.org/freedom/1197f.asp [accessed: 21 March 2016].
- Friedman, Milton. (1962). Capitalism and Freedom. Chicago & London: University of Chicago Press.
- Fukuyama, Francis. (1997). "Power Kills: Democracy As a Method of Nonviolence" (review of Rummel 1997a). Foreign Affairs. Nov./Dec. https://www.foreignaffairs.com/reviews/capsule-review/1997-11-01/power-kills-democracy-method-nonviolence [accessed: 21 Mar. 2016]
- Goenner, Cullen F. (2004). "Uncertainty of the Liberal Peace." Journal of Peace Research 41(5): 589-605.
- Hague, Rod and Martin Harrop. (2007). *Comparative Government and Politics: An Introduction*. 7th edition. Basingstroke, UK: Palgrave-Macmillan.
- Hayek, F. A. (2007 [1944]). The Road to Serfdom. Chicago: Chicago University Press.
- ----. (1984a [1976]). "Whither Democracy?". Lecture of 8 Oct. 1976, rpt. in The Essence of Hayek. Eds. Chiaki

- Nishiyama and Kurt R. Leube. Stanford: Hoover Institution Press: 352-362.
- ----. (1948). Individualism and the Economic Order. Chicago & London: University of Chicago Press.
- Harrington, Michael. (1978). Untitled reply to Heilbroner (1978). Dissent 25:3 (Summer): 355-357.
- Heilbroner, Robert L. (1978). "What is Socialism?" Dissent 25:3 (Summer): 341-348.
- ----. (1986). The Nature and Logic of Capitalism. NY & London: W. W. Norton & Company.
- Hoff, Trygve J. B. (1981). Economic Calculation in the Socialist Society. Indianapolis: Liberty Fund. (Orig. London / Edinburgh / Glasgow: William Hodge, 1949. Trans. M. A. Michael from the orig. Økonomisk Kalkulasjon i Socialistiske Samfund. Oslo: H. Aschehoug, 1938.)
- Hoppe, Hans-Hermann. (1993). "Marxist and Austrian Class Analysis." In Maltsev (1993: 51-73).
- Ikeda, Sanford. (2016). "Democratic Socialism' Is a Contradiction in Terms: What Happens When You Try to Combine Democracy with Socialism?." *The Freeman*. March 17th. http://fee.org/articles/democratic-socialism-is-a-contradiction-in-terms/ [accessed: 24 March 2016].
- Jewkes, John. (1968 [1948]). *The New Ordeal By Planning: The Experience of the Forties and Sixties*.

 London/Melbourne/Toronto: Macmillan & New York: St. Martin's. (Updated from *The Ordeal by Planning*. New York: Macmillan, 1948.)
- Kim, Hyung Min and David L. Rousseau. (2005). "The Classical Liberals Were Half Right (or Half Wrong): New Tests of the 'Liberal Peace', 1960–88." *Journal of Peace Research* 42(5): 523-543.
- Lavoie, Don. (1985.) National Economic Planning: What is Left?. Cambridge, MA: Ballinger.
- Maltsev, Yuri N. (1993). Requiem for Marx. Auburn, AL: Auburn University / Ludwig von Mises Institute.
- Makovi, Michael. (2016a). "The Impossibility of Democratic Socialism: Two Conceptions of Democracy." Unpublished working paper. https://mpra.ub.uni-muenchen.de/id/eprint/70172> [accessed: 20 March 2016].
- ----. (2016b). "Labor Economics in a Planned Economy: F. A. Hayek and John Jewkes on the Impossibility of Democratic Socialism." Unpublished working paper. https://mpra.ub.uni-muenchen.de/id/eprint/70174> [accessed: 20 March 2016].
- ----. (2016c). "Interest Groups and the Impossibility of Democratic Socialism: Hayek, Jewkes, and the Arrow Theorem." Unpublished working paper. https://mpra.ub.uni-muenchen.de/id/eprint/70173 [accessed: 20 March 2016].
- Mayer, Robert. (2001). "Robert Dahl and the Right to Workplace Democracy." *The Review of Politics* 63:2 (Spring): 221-247.
- Mises, Ludwig von. (1990). *Money, Method, and the Market Process: Essays by Ludwig von Mises*. Selected by Margit von Mises, edited by Richard Ebeling. Norwell, Massachusetts: Kluwer Academic Publishers.
- -----. (1985 [1944]). Omnipotent Government: The Rise of Total State and Total War. Grove City: Libertarian Press. (Orig. Yale University Press, 1944.)
- ----. (1983 [1919]). Nation, State, and Economy: Contributions to the Politics and History of Our Time. New

- York & London: New York University Press. (Trans. Leland B. Yeager from the orig. *Nation, Staat und Wirtschaft*, Vienna and Leipzig: Manzsche Verlags- und Universitäts-Buchhandlung, 1919.)
- Mousseau, Michael. (2013). "The Democratic Peace Unraveled: It's the Economy." *International Studies Quarterly* 57:1 (March): 186-197.
- Osterfeld, David. (1992). Prosperity Versus Planning: How Government Stifles Economic Growth. NY/Oxford: Oxford University Press.
- Palmer, Tom G. (2009). "Classical Liberalism, Marxism, and the Conflict of Classes: The Classical Liberal Theory of Class Conflict," in Palmer, *Realizing Freedom: Libertarian Theory, History, and Practice*. Washington, DC: Cato Institute: 255-275.
- Percy, Lord of Newcastle. (1955). *The Heresy of Democracy: A Study in the History of Government*. Chicago: Henry Regnery Co.
- Raico, Ralph. (1974). "Classical-Liberal Exploitation Theory." Conference paper delivered at the Second Annual Libertarian Scholars' Conference, New York City, 26 Oct. 261974. https://mises.org/library/classical-liberal-exploitation-theory-0 [accessed: 26 Aug. 2015]
- ----. (1993). "Classical Liberal Roots of the Marxist Doctrine of Classes." In Maltsey (1993: 189-220).
- Röpke (Roepke), Wilhelm. (1998 [1957]). *A Humane Economy*. Wilmington, DE: Intercollegiate Studies Institute.
- Rummel, R. J. (1997a). *Power Kills: Democracy As a Method of Nonviolence*. New Brunswick, N.J.: Transaction.
- ----. (1997b). "On the Nature of Democracy." Ch. 8 of Rummel (1997a). https://www.hawaii.edu/powerkills/PK.CHAP8.HTM [accessed: 21 March 2016].
- Talmon, Jacob. (1960). The Origins of Totalitarian Democracy. NY: Praeger.
- Weede, Erich. (2004). "The Diffusion of Prosperity and Peace by Globalization." *Independent Review* 9:2 (Fall): 165-186.
- Weinburg, Mark. (1978). "The Social Analysis of Three Early 19th Century French Liberals: Say, Comte, and Dunoyer." *Journal of Libertarian Studies* 2(1): 45-63. [accessed: 26 Oct. 2015].

- ¹ Heilbroner is also quoted in Boaz (2005, 2016).
- Mises's analysis in (1985 [1944]) is very similar to what he wrote previously in (1983 [1919]). The difference is one work was written following WWI and the other, in response to WWII. His later work is more mature and detailed, but his earlier work is valuable as well. See also Mises (1990: 137-165) for another expression of a similar argument. Mises (1981 [1922]: 205-208) makes a surprisingly different argument.
- ³ Hints at a similar analysis are offered by Jewkes (1968 [1948]: 111, 218, 223, 234, 236).
- Talmon (1960: 239) indicates that Babeuf's communistic scheme for France was averse to international trade as well. The motivation here was slightly different: foreign commodities were demoralizing (Talmon 1960: 239; cf. Mises 1981 [1922]: 197). "[T]he cosmopolitan Babouvist creed preached extreme national isolation" (Talmon 1960: 244) in order "to safeguard the regenerated people 'against the contagion of pernicious examples which might otherwise enervate the force of manners, and the love of equality" (Talmon 1960: 245). Granted, this national isolationism did not imply for Babeuf the use of military force against foreigners (Talmon 1960: 245). Nevertheless, "[f]ree intercourse with other states would not be entered upon so long as they had not adopted the principles of France" (Talmon 1960: 245). Time and again, socialism consistently implies national isolation lest foreigners interfere with the delicately and scrupulously laid plans of the masterminds. In the case of Babeuf's France, the "plan" was ideological and cultural, not economic, but the basic principle is the same: no government may plan conditions economic or cultural in its own country unless the citizens are isolated from relations with foreigners.
- On the classical liberal theory of conflict and spoliation which posits that trade in general creates a harmony of interests while trade restrictions and protectionism create conflicts of interest – see Mises (1990: 202-214), Palmer (2009), Hoppe (1993), Raico (1993, 1974), and Weinburg (1978). Boettke (1995: 10 & note 7 ad. loc. relates Hayek to this tradition. According to this theory – which is analytical-typological rather than empirical - there is a natural antagonism among competing members of a given industry, whereas there is a natural harmony among non-competitors who cooperate in the social division of labor. Government protectionism and trade restrictions cause a reversal, creating harmony among former competitors who now share in the spoils of government privilege, and creating an antagonism between those who benefit from the privileges and those who must pay for them. This analytical-typological framework allows us to distinguish between cases where there is harmony among complementary and non-competing actors in a market versus harmony among former competitors who share in the spoils of rent-seeking. For example, in a free market, there will be a harmony between growers of wool and weavers of wool because the success of one industry redounds to the other. E.g., if more consumers purchase woven clothing, then the weavers will purchase more raw wool. But there will be disharmony and conflict among growers of wool because they are competitors. Ceteris paribus, if one wool grower sells more, another must sell less. If the wool growers succeed in uniting and lobbying for a tariff on wool imports, then antagonism between wool growers and wool weavers will relatively supplant the former antagonism among wool growers. Applied to foreign relations, this implies that

- two nations will tend to enjoy harmonious relations as long as they cooperatively trade, but that their relations will necessarily turn antagonistic as soon as one imposes trade barriers against the other.
- This analysis can be applied to racial relations as well. According to the law of comparative advantage, two people benefit from trade regardless of their races or ethnicities. But if a person of one race believes that they ought not trade with a person of another race because they mistakenly believe that the welfare of one comes at the other's expense (zero-sum), then this creates conflict and both parties suffer. As the abolitionist Frederick Douglass (1991 [1864]: 48) said, such racial prejudice "belongs with the [protectionist / mercantilist] commercial fallacies long ago exposed by Adam Smith. It stands on a level with the contemptible notion, that every crumb of bread that goes into another man's mouth, is just so much bread taken from mine. . . . As with political economy, so with civil and political rights."
- ⁷ Dahl's (1985) argument for workplace democracy appears to make democracy constitutive of the good as well; see Adamson (1989: 127-192), Mayer (2001: 230).
- The Treaty of Rome created the European Economic Community (EEC) in 1957. When the European Union (EU) was established in 1993, the EEC was renamed as the European Community (EC). In 2009, the EC was absorbed into the EU.
- The literature on the competing democratic and capitalist peace theories is voluminous, and countless statistical studies have produced conflicting results (e.g. Mousseau [2013] and Weede [2004] vs. Dafoe, Oneal, and Russett [2013], Kim and Rousseau [2005], and Goenner [2004].). We note, however, that our thesis is consistent with R. J. Hummel's Power Kills (1997), which argues that democracy produces both domestic and international peace. Rummel's (1997a: ch. 8 XXX NEED PAGE NUMBER, 1997b) definition of "democracy" includes a "largely economic free market." Discussing the continuum with democratic polities at one end and totalitarian regimes on the other, Rummel (1997a: ch. 8 XXX NEED PAGE NUMBER, 1997b) states, "Near the democratic end is the classical liberal democratic (or libertarian) type of regime that governs least, with maximum civil liberties and political rights, and within a society dominated by exchange power." His citation there refers to, among others, Adam Smith, J. S. Mill, Ludwig von Mises, F. A. Hayek, and Murray Rothbard – many of the same thinkers upon whom this present essay has relied. When Rummel says that democracy promotes domestic and international peace, his conception of "democracy" is what this essay has referred to as "limited democracy." By contrast, what this essay has called "unlimited democracy," Rummel would consider to be "totalitarianism." Rummel concludes (1997a: 97), "The bottom line is that it is the power of a regime that accounts for its killing," implying that it is the *limitation* of power which promotes peace – consistent with this paper's defense of *limited* democracy against *unlimited* democracy. Fittingly, the title of Rummel's book is not *Democracy Saves* but *Power Kills*. Hence, Fukuyama (1997) summarizes Rummel's (1997) thesis as follows: "Yet another democratic peace theorist . . . It is clear in his discussion of causes that it is less democracy per se that brings peace (democracies are, after all, subject to nationalism and mass hysteria), so much as limited government that diffuses power as broadly as possible to citizens and society." (I thank Richard Ebeling for the reference to Rummel [1997]. Cf. Ebeling [1997]).