

The New Class Struggle

Written for *Serf City*

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Individualists, or Libertarians, or Radical Subjectivists, or whatever you want to call us, don't really like to put people into pre-determined classes, knowing that today's rich man is tomorrow's pauper and vice-versa (that is, anyway, in a free society where our effort and risk returns its reward, some of the time, given the vagaries of the market, notwithstanding bailouts and discounting lousy debt at Uncle's Bank, the Fed, that is if you have the green card to do so). Nonetheless, it is becoming more and more clear that there is indeed a class system, and therefore then a class struggle, in the USA, that of public employee labor-union members versus the rest of society.

I have written about this before, in the most recent issue of *Serf City* ("MTA – Be Wise and Privatize", Vol. 6, Issue 1) about how the New York City subway and bus system labor-union costs are going-up and up, and, since then acknowledged by, yes, the *New York Times* (one fine example is here, <http://www.nytimes.com/2010/05/26/nyregion/26about.html>), how the (unfunded) public employee retirement accounts are in need of reform from defined benefits to defined contributions in order to match the pension reforms in the private sector ("The New York Fiscal Crisis and Needed Reform", *Serf City* Vol. 5, Issue 2), and how, on average public labor-union employees (salaries and benefits usually being at least 50% of government spending no matter what level of government we are talking about) make twice that of private citizens, shameful that, considering that only the private sector actually produces wealth not redistributes it.

These State versus private income differentials in themselves are indicative of a sick society, the *Road to Serfdom* (Hayek 1945) indeed. (By the way any scandal or non-natural disaster you find in the news look for the adverse, unintended consequential, government-ordered program at the heart of it, it's not hard to do, and quite fun and appropriate to do if you are a libertarian. The BP "Deep Horizon" disaster and pre-existing government limitations on offshore liability of course comes quickly to mind. Madoff's reportage to the SEC is another easy one. The whole Great Recession is another one, but that is a bit more complicated, albeit the axiom still holds true. Mark Axinn and I did a *Hardfire* show on this, available, <http://www.youtube.com/watch?v=0JCmYUGmjHg>.)

So a bit on the class struggle. As far as I can tell the original class theorists were what the irascible Murray Rothbard (irascible so I have heard, I never met the man while he was living though love his writings and lectures on the history of economics, see specifically mp3's available at <http://mises.org/media/1606>) called the "Pre-Austrians" (i.e., those economists who preceded the Austrian School of Economics in their analytical visions of society). These "Pre-Austrians" might be the

original libertarians and wrote circa Napoleon's march back-and-forth through Europe, they were French "radicals", or more appropriately as known in political philosophy, French Enlightenment thinkers.

These writers (Charles Comte, Augustin Thierry, Charles Dunoyer) had an original theory of the class struggle, 50 years before the famous one that Marx ripped-off, or in polite terms, was aware of. (See my talk on this this past summer at the annual Institute for Economic Thought, <http://www.youtube.com/watch?v=dGOERDXYdEI>.)

The original class theory is that productive man were those who produced for voluntary exchange in the market (called 'consumer sovereignty' in today's economics) versus those who were unproductive and didn't produce for the market but lived off of usurpation. This unproductive 'labor' were the plunderer class under feudalism, and, later, the State under capitalism. This unproductive class produced nothing and lived off the takings from others. The highpoint of these writings were in French in 1818 in a short-lived journal called *Le Censeur European*. Marx knew of these writings, but never acknowledged them in his published works (he did in his letters to Engels and others over, yes, a 30-year period). It might be safe to say that Marx liked the French radicals' idea so much that he played homage to it (e.g. stole and changed the idea) for his own class struggle which is, as is well known, a capitalist class as unproductive labor versus a labor class which is productive, and in fact per Marx all economic value in society comes from this labor class.

This is the Marxian "class struggle" as it is heretofore known today, and it is this theory of the class struggle, and thus any notion of "class" itself, which makes libertarians so uneasy about classifying society into classes and rightly so as, after all, approximately 99% of all American's have "earned income" (itself a Marxian concept which has carried-over, appropriately enough, into the US Government's tax code and method for calculating national income, GDP).

The Pre-Austrians wrote that freedom was increased as the market increased (e.g., as political control of the economy decreased), whereas for Marx of course freedom wasn't achieved until after some kind of violent revolution destroyed his version of the class system, and, then later, a withering away of State-socialism after the Dictatorship of the Proletariat, which arose after the revolution, raised its consciousness and gave away its power (as if) creating an everyone-owns-everything political economy called communism.

The Pre-Austrians one might say were on more solid ground when they said freedom increased as the market increased, no violence was necessary, again a core libertarian idea (and really, perhaps, a humane idea, notwithstanding misplaced notions of nationalism¹). For the French radicals the State withered away (had its power diminished) as voluntary market-exchange increased. This is of course what many libertarians fight for and wish for day-in and day-out.

Today we have a new class struggle. Those that live off the government purse versus those that replenish this purse (either through direct taxes or a devalued dollar as the Federal Reserve System buys government and bank debt and puts more, increasingly worthless, dollars into the economy). Public choice economics describes how and why government grows, because government officials have the

personal (subjective) economic incentive to increase their budgets and their power, as that is how they advance through the government bureaucracy.

Needless to say the government employee unions (at the local, state and national levels) are big contributors to the election campaigns of both the donkeys (teachers unions, state social-service employees) and the elephants (the prison, police and military complexes as well as (anti-) immigration officials, all public sector union members). It is the pay-packages of these union-members which are bankrupting our local and state governments. This is the new class struggle, which, really, is not too different from the original pre-Marx class struggle.

Principles don't change with history, political winds do, but the underlying theories of libertarianism have remained constant for almost 200 years. More than 200 years if you ignore the aberration of the Constitution and its centralization of power. Like Patrick Henry said when he refused to participate in the Philadelphia Constitutional Convention in the late 1880s, "I smell a rat", and today that rat is the government employee unions (and through no fault of the government employees themselves it should be noted, a good job is a good job) who gain rents at the expense of all of us through their implicit control of the two main political parties. Only time will tell how this new class struggle will end, either through bankruptcy of the State, a "third-world"-ization of US living standards, or, hopefully, prudent reform of unsustainable government spending, not least of which is paying government employees compensation packages out of line with the economy at-large.

Lastly, the US is not alone amongst modern welfare states in this modern class struggle, and the dollar still reigns supreme in the world economy, especially with the recent Euro currency problems in Greece. But then the Greeks and Romans too reigned supreme in their times, and we all know how that ended.

ⁱ I have an otherwise free-market economist friend from Eastern Europe, who likes America's role of "policeman of the world" as it keeps a check on Russian adventurism in that part of the world. When we discuss libertarianism, which he calls a "dogma", he says he is more than willing to have his taxes go towards funding US's military abroad. His calculations, of course, miss the domestic "blow-back" that this US interventionism causes. He visits the US often but does not live here.