

# *The Humane Studies Review: A Research and Study Guide*

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David M. Hart • Editor

## Introduction

After a period of suspended publication, we are pleased to resume our series of articles on "The Basic Tenets of Real Liberalism." This and the next article will deal with related but antithetical problems, namely the opposition between "Social Harmony, Free Trade and Peace" and "Interventionism, Social Conflict and War."

In this issue we deal with the former group of concepts which forms such a vital element in any theory of Real Liberalism. The underlying assumption is that all freely interacting individuals enjoy a harmony of interests. These shared interests include the maximization of opportunity and production brought about by the division of labor and the industrial economy. As long as the use of coercive force is outlawed, no individual or group of individuals can create legal privileges which disrupt the natural harmony of the market.

Many real liberals have seen the important theoretical connection between the free market and international peace. Just as the division of labor and the abolition of legal privilege on an individual plane maximizes human well-being, so too does the extension of these principles to the international plane bring about an opportunity for greater productivity and the lessening of inter-state rivalries. Since peace is the most important consequence of free trade and free market policies it is not surprising that liberals have been active over the centuries in attempting to bring about an end to the waste and destruction brought on by state intervention, both internally and externally.

The great Austrian economist, Ludwig von Mises, provides us with the concept of "interventionism" that explains how the prosperity and peace of the market is replaced by the disruption and conflict of state intervention. We conclude this article with a brief discussion of Mises's theory of interventionism and we will return to it in the next issue when we will discuss the problems of "Interventionism, Social Conflict, and War."

We are also pleased to be able to continue "An Outline of the History of Libertarian Thought." We began in volume one, number one with the Radical Reformation and continued up to the French and German Enlightenment in volume one, number two. In this issue we discuss the astonishingly fertile period known as the Scottish Enlightenment.

In the *Crosscurrents* section we have several shorter reviews to bring our readers up to date with some of the more interesting items published during the last year.

## The Basic Tenets of Real Liberalism

by David M. Hart and Walter E. Grinder

### Part III: Social Harmony, Free Trade, and Peace

#### Recommended Reading

Frédéric Bastiat, *Economic Harmonies* (Princeton, NJ: D. Van Nostrand, 1964).

Richard Cobden, "Free Trade and Reduction of Armaments," *Free Trade and Other Doctrines of the Manchester School*, ed. Francis W. Hirst (New York: Augustus M. Kelly, 1968).

Ludwig von Mises, *The Free and Prosperous Commonwealth: An Exposition of the Ideas of Classical Liberalism* (Princeton, NJ: Van Nostrand, 1962), trans. Ralph Raico, ed. Arthur Goddard.

William Graham Sumner, "War" and "The Conquest of the United States by Spain," in *War and Other Essays* (New Haven: Yale University Press, 1911), ed. Albert G. Keller.

Social conflict and economic class warfare are commonly considered to be endemic to the capitalist system. The antagonisms between black and white, rich and poor, capitalist and worker, appear intractable and impossible to solve. Only state intervention (as in the welfare state) or revolution (to create the "dictatorship of the proletariat") is believed to be able to reduce or eliminate this class conflict and thus to permit individuals to lead a prosperous and peaceful existence. Such intractable disharmony and conflict between individuals would, on the surface, seem to contradict another of the tenets of Real Liberalism, namely the *harmony of interests* doctrine. But, as we intend to demonstrate, this contradiction between strife-torn reality and liberal ideals is only apparent.

#### Harmony of Interests

The best way to begin unravelling this dilemma is to examine what Real Liberals have meant by the concept of the harmony of interests. No Real Liberal believed that a market system infested with government intervention could possibly be free of social conflict. On the contrary, liberals who addressed the problem of conflict and harmony (in particular Jean-Baptiste Say, Frédéric Bastiat, Richard Cobden, and Ludwig von Mises) were convinced that only in a world where voluntary social and economic interactions remained completely free (i.e., a policy of unrestricted *laissez faire, laissez passer* in the terminology of the Physiocrats) would there be no harmful group conflict. Liberals believed that the market allowed the beneficial results of the harmony of interests to be felt at all levels. As soon as the



state intervenes to control voluntary relationships, the natural harmony of the market is destroyed and conflict appears. If allowed to continue uninterrupted, this group and class conflict may gradually worsen until the point of economic stagnation and breakdown is reached. Under certain circumstances the disharmonies created by state intervention may even lead to war and violent revolution.

One could go back to ancient Greek philosophy to find the beginnings of the idea that social interaction produces a harmonious order independent of the intention of the participants. Our brief survey will begin with the Anglo-Dutch physician and social theorist Bernard Mandeville. The importance of Mandeville is that, in the early years of the eighteenth century, he saw that if individuals were able to pursue their self-interest (Mandeville called this "private vice") the resulting market order would be a harmonious one (what Mandeville called "public benefit"). His writings, especially the delightful essay "The Fable of the Bees" (1714), were considered scandalous by his mercantilist contemporaries because he argued that self-interest could produce a more harmonious social order than the high-minded interventions of politicians or church leaders. In an essay written in 1723 Mandeville made some very suggestive remarks about the greater productiveness of the division of labor and the harmony of the market. His work may well have influenced Adam Smith when he came to write the *Wealth of Nations* later in the century:

**"The greater the Variety of Trades and Manufactures, the more operose they are, and the more they are divided in many Branches the greater Numbers may be contain'd in a Society without being in one another's way, and the more easily they may be render'd a Rich, Potent and Flourishing People."**

Bernard Mandeville

The early Greek origins of the idea of a harmonious spontaneous order is discussed by Friedrich Hayek in "Cosmos and Taxis," *Law, Legislation and Liberty: A New Statement of the Principles of Justice and Political Economy*. Vol. I: *Rules and Order* (University of Chicago Press, 1973), pp. 35–54, and "Dr. Bernard Mandeville," in *New Studies in Philosophy, Politics, Economics and the History of Ideas* (University of Chicago Press, 1978), pp. 249–66. The extent of Mandeville's support for *laissez-faire* is discussed by Jacob Viner, "Introduction to Bernard de Mandeville, A Letter to Dion (1732)," in *The Long View and the Short: Studies in Economic Theory and Policy* (Glencoe, IL: Free Press, 1958), pp. 332–42; Nathan Rosenberg, "Mandeville and Laissez-Faire," *Journal of the History of Ideas* 24, 1963, pp. 183–96; Alfred F. Chalk, "Mandeville's *Fable of the Bees*; A Reappraisal," *Southern Economic Journal* 33, 1966, pp. 1–16; Albert Schatz, "Bernard de Mandeville (Contribution à l'étude des origines du libéralisme

economique)," *Vierteljahrschrift für Sozial- und Wirtschaftsgeschichte* 1, 1903, pp. 434–80; and Albert Schatz, *L'Individualisme économique et social. Ses origines. Ses évolutions. Ses formes contemporaines* (Paris: Armand Colin, 1907), pp. 61–79. On more general aspects of Mandeville's thought, see Hector Monro, *The Ambivalence of Bernard Mandeville* (Oxford: Clarendon Press, 1975); Thomas A. Horne, *The Social Thought of Bernard Mandeville: Virtue and Commerce in Early Eighteenth Century England* (New York: Columbia University Press, 1978); and H. T. Dickinson, "The Politics of Bernard Mandeville," in *Mandeville Studies: New Explorations in the Art and Thought of Dr. Bernard Mandeville* (1670–1733) (The Hague: Martinus Nijhoff, 1975), pp. 80–97.

One of the classic formulations in the nineteenth century of the theory of the harmony of interests can be found in Jean-Baptiste Say's 1803 *Treatise on Political Economy* (New York: Augustus M. Kelly, 1964). This work is not only a brilliant economic treatise but also a sophisticated attempt to understand the social order of a free market system. Say was deeply influenced by Adam Smith's *Wealth of Nations* and was one of the founders of the theory of industrialism which was more fully developed by his radical libertarian follower Charles Comte, Charles Dunoyer, and Augustin Thierry in the 1810s and 1820s.

#### Say

The aspect of Say's thought that concerns us here is a consequence of his law of markets, an invaluable insight concerning the very nature of the market process. As it is often confusingly interpreted, it simply states that supply creates its own demand. In this crude form Say's Law cannot stand up to the test of empirical reality. However, when this law is restated in the following way it becomes more comprehensible and meaningful: *production, understood as a series of exchanges through time, will create its own demand given a certain amount of price flexibility* (i.e., a network of freely adapting relative prices). Only when Say's Law is understood in this manner does it make sense to talk about supply creating its own demand and markets clearing. Say did not believe that markets would clear if the market system of prices was interfered with. Such interference distorts the smooth flow of social knowledge contained in a system of changing relative prices. As Friedrich Hayek has shown, prices supply important information which links the knowledge and ability of entrepreneurs to produce with the needs and ability of widely scattered consumers to pay. On the connection between free pricing and the transmission of knowledge, see F.A. Hayek, "Economics and Knowledge," in *Individualism and Economic Order* (University of Chicago Press, Midway Reprint, 1980) and Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, 1980).

In order to allow the smooth articulation of supply and demand Say called for an economic system of untrammelled *laissez faire*. When state power intervenes to prevent this articulation of supply and demand, the basis is laid for the creation of social conflict and the mismatching of economic and social aspirations with investment and production. Thus Say's Law is critically important to Real Liberal social theory because it forms the core of the theory of social and economic cooperation and integration via the free market. Out of this integrating function of the market comes the Real Liberal's conviction that free exchange and production, based on the idea of the harmony

of interests of the market's participants, is the vital prerequisite for peace and prosperity.

#### Bastiat

The much maligned French liberal economist, Frédéric Bastiat (1801–50), shared Say's view that the social and economic interests of all groups, in the absence of intrusions of violence (whether by the state or by private individuals) are compatible and ultimately in basic harmony. The harmony of individual interests and the destructive consequences of state intervention were clearly and wittily set forth in Bastiat's more popular works, such as the aptly named *Economic Harmonies* (Princeton, NJ: D. Van Nostrand, 1964), as well as in his political activities with the French Free Trade Association and its weekly paper, *Libre-échange*. In an address to the French Free Trade Association, Bastiat made the opposition between the peaceful order of the market and the violence of state intervention quite explicit.

**"What kind of order can exist in a society where each industry, aided by the law and public force, looks for success in the oppression of all the others. . . It disturbs the peace between people and breaks the ties which unite them . . ."**

**"The State is the great fiction according to which everyone tries to live at the expense of everyone else."**

Frédéric Bastiat

Another French liberal, Charles Coquelin, identified the only means whereby peace and order could be maintained. If everyone abjured the use of force and fraud the natural cohesiveness and productivity of the market would operate to everyone's advantage. This did not mean that individuals had to have identical interests before this coordinating function of the market would begin to function. In fact the opposite was the case. The market works well because of the great differences in individual tastes and needs. The division of labor, the principle of comparative advantage, and Mises's "Law of Association" (which we have mentioned in a previous issue) mean that the market flourishes best with diversity.

**"All individuals, when they restrict themselves to the limits defined by justice or rights and when they reject the use of force or fraud, contribute to the creation of a common order and even to a common interest, without really being aware of it."** (Coquelin, "Harmonie industrielle," *Dictionnaire de l'économie politique*, vol. 1, p. 853.)

Bastiat's economic writings can be found in a modern edi-

tion edited by Florin Aftalion: *Frédéric Bastiat, Oeuvres économiques* (Paris: Presses Universitaires de France, 1983). Bastiat's thought and political activity is the subject of a more detailed examination in George C. Roche III, *Frédéric Bastiat: A Man Alone* (New Rochelle, New York: Arlington House, 1971) and Dean Russell, *Frédéric Bastiat: Ideas and Influence* (Irvington-on-Hudson, NY: The Foundation for Economic Education, 1969). On the French free trade movement, see Bastiat, *Cobden et la Lique: ou l'agitation anglaise pour la liberté du commerce* (Paris: Guillaumin, 1845) and *Paix et liberté, ou le budget républicain* (Paris: Guillaumin, 1849). Also the many articles in the *Dictionnaire de l'économie politique*, especially A. Clément, "Bastiat" vol. 1, pp. 145–48; Joseph Garnier, "Cobden" vol. 1, pp. 388–89; Gustave de Molinari, "Liberté des échanges" vol. 2, pp. 445–49; Molinari, "Liberté des échanges" vol. 2, pp. 445–49; Molinari, "Liberté du commerce," vol. 2, pp. 49–63. A guide to the older literature on the history and theory of the nineteenth century free trade movement can be found in Georg Jahn, "Freihandelslehre und Freihandelsbewegung," *Handwörterbuch der Staatswissenschaften* (Jena: Gustav Fisher Verlag, 1927), ed. L. Ester et al., vol. 4, pp. 354–71.

#### Mill

The dichotomy between free trade and peace on the one hand, and intervention and war on the other, was a central concern of most of the major nineteenth century classical liberals. This thesis is well documented in Edmund Silberner, *The Problem of War in Nineteenth Century Economic Thought* (Princeton University Press, 1946), trans. Alexander H. Krappe, where the writings of Thomas Malthus, David Ricardo, James Mill, John Ramsay MacCulloch, John Stuart Mill, Jean-Baptiste Say, Frédéric Bastiat, and Gustave de Molinari are discussed. The liberal hostility to war is forcefully shown in the words of James Mill, one of the most radical of the English classical liberal economists:

**"To what baneful quarter, then, are we to look for the cause of the stagnation and misery which appear so general in human affairs? War is the answer. There is no other cause. This is the pestilential wind which blasts the prosperity of nations. This is the devouring fiend which eats up the precious treasure of national economy, the foundation of national improvement, and of national happiness."**

James Mill



James Mill was responding to the Napoleonic Wars and some scholars have recently confirmed his view that war diverted wealth from productive pursuits and thereby slowed down industrial expansion. See Jeffrey G. Williamson, "Why Was British Growth So Slow During the Industrial Revolution?" *Journal of Economic History*, 1984, XLIV, 3, pp. 687–712. The wars also prompted many others in England to reassess their attitudes towards warfare as J. E. Cookson shows in *The Friends of Peace: Anti-War Liberalism in England 1793–1815* (Cambridge University Press, 1982). On the French view of the peaceful nature and consequences of free trade, see the articles by Gustave de Molinari, "Paix-Guerre" and "Paix" (Sociétés et Congrès de la) in *Dictionnaire de l'économie politique*, cited above, vol. 2, pp. 307–15.

#### Cobden

There is probably no more important tenet in the Real Liberal doctrine than the causal relationship between the unhampered market system and international free trade, and the peaceful relations among nations which result from it. This linking of peace and free trade is nowhere more clearly stated than in the writings of Richard Cobden, usefully collected in *Political Writings* (New York: Garland, 1973), 2 volumes, and *Speeches on Questions of Public Policy*, ed. John Bright and J. E. Thorold Rogers (New York: Kraus Reprint, 1970). Richard Cobden and John Bright are best remembered for being the most famous agitators for free trade in nineteenth century England. Cobden was not only a talented businessman, a successful politician, and an organizational genius, but he was also a profound economic and social analyst, a brilliant critic of imperialism, and an indefatigable advocate of free trade. He and John Bright came to public attention during the bitter, but ultimately successful, campaign against the Corn Laws (the agricultural protection tariff) through their brilliant organizational efforts as leaders of the Anti-Corn Law League. In addition, Cobden's analysis of the beneficiaries of agricultural protection led him to study the power structure which existed in England at the time, a study that has many important insights for libertarian class analysis.

Cobden also directed his attention to questions of foreign policy. His opposition to the expanding British Empire led to insights in the libertarian theory of imperialism. He was also influential in the National Freehold Land Society, which, along with the trade unions of the period, helped raise funds for workers to own real property (a condition for voting in the restricted and corrupt franchise of the time) in order to increase the liberty-oriented voting forces. For more about Cobden's views on foreign policy, see J. A. Hobson, *Richard Cobden: The International Man* (New York: Barnes and Noble, 1968).

Cobden's influence reached both America and France (where he influenced Bastiat and the French Free Trade League) and his name was synonymous with free trade for decades. His rallying cry was "Peace, Retrenchment, and Reform." By retrenchment Cobden meant that the Empire should be abandoned, an action that he believed would lead to massive cuts in government spending and the ending of sinecures for the powerful landed classes. Cobden believed in a policy of "Little England." In other words, he and his free trade followers knew that prosperity depended not on the Empire and its military accoutrements, but on making England the "workshop of the world." This policy called for a dependence on thrift, industry, and above all on international free trade. Cobden's colleague, John

Bright, is well treated by G. M. Trevelyan's *The Life of John Bright* (London: Constable, 1913) and the contributions of other members of the so-called Manchester School can be found in *Free Trade and Other Fundamental Doctrines of the Manchester School*, ed. Francis W. Hirst (New York: Augustus M. Kelly, 1968).

#### Atkinson

In the United States Cobden's counterpart in the struggle for Free Trade and against imperialism was Edward Atkinson. This *laissez faire* businessman was a key figure in the free trade movement and was also a tireless leader of the important Anti-Imperialist League which opposed the Spanish-American War in particular and American imperialism in general. Atkinson's life and work is covered by Harold F. Williamson, *Edward Atkinson: The Biography of an American Liberal, 1827–1905* (New York: Arno Press, 1972).

#### Sumner

An important ally of Atkinson was William Graham Sumner whose "The Conquest of the United States by Spain" and "The Fallacy of Territorial Extension" in *War and Other Essays* (New Haven: Yale University Press, 1911) are classic arguments on behalf of free trade and against militarism, imperialism and territorial expansion. In keeping with the Real Liberal tradition, Sumner believed that open borders, a free and industrious population, savings and investment, and international trade make a prosperous society — not the building of military might, standing armies, intervention in other countries' affairs, and seizure of foreign territory. On the question of free trade, Sumner believed that all intervention by the state amounted to nothing more than direct or indirect expropriation. In Europe, those who expropriated the justly and peacefully acquired wealth of the producers were an alliance of the monarchy, the aristocracy, the military, and the bureaucracy. In America it was the "plutocracy." See "Liberté des échanges," in *Nouveau Dictionnaire d'économie Politique* (Paris: Guillaumin, 1892), ed. Léon Say and Joseph Chailley, vol. 2, pp. 138–66.

Sumner's solution to the problem of protection and war was

**"I maintain that the way to minimize the dangers to democracy, and from it, is to reduce to the utmost its functions, the number of its officials, the range of its taxing power, the variety of its modes of impinging on the individual, the amounts and range of its expenditures, and, in short, its total weight . . ."**

William Graham Sumner

the same as Richard Cobden's — a massive cutback in the size and functions of the state in order to allow the greatest scope to peaceful industry.

Sumner's essays are collected in *War and Other Essays* (New Haven: Yale University Press, 1911), ed. Albert G. Keller; *What the Social Classes Owe To Each Other* (New Haven: Yale University Press, 1925), ed. Albert G. Keller; and *Essays of William Graham Sumner*, 2 vols., cited above.

#### Mises

The classical liberal belief in the natural harmony of the free market found one of its most sophisticated supporters in the great twentieth century Austrian economist, Ludwig von Mises. In one of his earlier political works (1919), after experiencing the catastrophe of the First World War, Mises argues that imperialism and protectionism are the main barriers to eternal peace.

**"He who wants to prepare a lasting peace must, like Bentham, be a free-trader and a democrat and work with decisiveness for the removal of all political rule over colonies by a mother country and fight for the full freedom of movement of persons and goods. Those and no others are the preconditions of eternal peace."**

Ludwig von Mises

Mises repeatedly returned to this theme in his later writings, especially in *Socialism: An Economic and Sociological Analysis* (Indianapolis: Liberty Classics, 1981), where he contrasts the peaceful market with the disruption and warlike tendencies of socialism, and in *The Free and Prosperous Commonwealth: An Exposition of the Ideas of Classical Liberalism* (Princeton, NJ: Van Nostrand, 1962), trans. Ralph Raico, ed. Arthur Goddard, where he outlines a pacifist "Liberal Foreign Policy," pp. 105–154.

Perhaps the most valuable contribution Mises has made to the development of a classical liberal social theory is his analysis of the exact opposite of everything he believed in. Since he lived through a period of history which witnessed the coming to power of socialism and the almost universal acceptance of intervention as a policy tool, it is not surprising that he developed a theory which would explain the nature of these new anti-market societies and the disruptions and disharmonies they created. In *The Clash of Group Interests and Other Essays* (New York: Center for Libertarian Studies, 1978) Mises shows that not only are social and economic groups harmonious under a system of private property and the free market, but that it is only government action that creates any group conflict. Like James Mill, Richard Cobden, and William Graham Sumner, Mises argues that the state in fact creates classes (he used the term caste), solidifies their existence, and pits those favored with access to state power and privilege against those not so favored.

#### Interventionism

Once class begins to disrupt the peaceful operations of the free market a dynamic process is set in motion which leads to further interventions by the state. Mises calls this process "interventionism" and his theory of interventionism is explored in the essay "The Middle of the Road Leads to Socialism," in *Planning For Freedom* (South Holland, IL: Libertarian Press, 1962). According to Mises, each intervention in the voluntary and harmonious interactions of market participants leads to unintended, deleterious economic and social consequences, which in turn demand further interventions to "correct" the new problem *ad infinitum*. Mises clearly saw that these interventions would continue until a comprehensive, authoritarian system of control was finally established. Thus, interventionism disrupts the harmony of the market, leading to the command economy or, as Mises termed it, the *Zwangswirtschaft*.

Given the massive state intervention and the resulting conflict and disruption we have witnessed in the twentieth century, Mises's theory of interventionism is of the utmost importance. With his theory we can understand the social and economic dynamics of government intervention, in particular his insight that government intervention is inherently unstable, requiring more and more controls and regulations in order to overcome the disturbing consequences of previous interventions, and the related contention that only in a fully free market can steady and harmonious economic development take place. We will return to Mises's theory of interventionism, the antithesis of harmony and prosperous market activity, in part four of "The Basic Tenets of Real Liberalism," entitled "Interventionism, Social Conflict and War."

**"Mises's key insight . . . is: once the state begins to disrupt the peaceful operations of the free market, a dynamic process is set in motion which leads to further interventions . . ."**

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## An Outline of the History of Libertarian Thought: Part III

### VII. The Scottish Enlightenment

#### Recommended Reading

- Jane Randall, *The Origins of the Scottish Enlightenment 1707–1776* (London: Macmillan, 1978).
- Andrew Skinner, "Adam Smith: An Economic Interpretation of History," in A. S. Skinner and T. Wilson eds., *Essays on Adam Smith* (Oxford: Clarendon Press, 1975).
- Peter Stein, "Adam Smith's Theory of Law and Society," *Classical Influences on Western Thought, 1650–1870* (Cambridge University Press, 1979), pp. 263–73.
- Donald Winch, *Adam Smith's Politics: An Essay in Historiographic Revision* (Cambridge University Press, 1979).
- T. D. Campbell, "Adam Smith and Natural Liberty," *Political Studies*, 1977, XXV, 4, pp. 523–34.
- Jacob Viner, "Adam Smith and Laissez-Faire," in *The Long View and the Short: Studies in Economic Theory and Policy* (New York: The Free Press, 1958), pp. 213–45.

The Scottish Enlightenment of the eighteenth century is one of the more remarkable periods in the development of liberal ideas. It was here that political economy as a discipline came of age with the magnificent work of Adam Smith: *An Inquiry into the Nature and Causes of the Wealth of Nations* (Indianapolis: Liberty Classics, 1981), ed. R. H. Campbell and A. S. Skinner. The Scottish Enlightenment also made incalculably important contributions to the study of history, sociology, legal theory, moral philosophy, and the science of politics. A small measure of its value can be seen from the quite palpable influence it has had on Friedrich Hayek, one of the leading classical liberal writers of the twentieth century. One need only look at Hayek's three volume treatise *Law, Legislation and Liberty: A New Statement Of the Liberal Principles of Justice and Political Economy* (University of Chicago Press, 1973–1979) to get some idea of the Scottish influence on his social and legal philosophy (from David Hume) and his idea of spontaneous order (from Adam Ferguson).

A good place to begin sorting through the huge literature dealing with the Scottish Enlightenment is the short essay by Nicholas Phillipson, "The Scottish Enlightenment," *The Enlightenment in National Context* (Cambridge University Press, 1981), ed. Roy Porter and Mikulas Teich, pp. 19–41, and the collection of extracts edited by Jane Randall, *The Origins of the Scottish Enlightenment 1707–1776* (London: Macmillan, 1978). For a more detailed treatment, concentrating on the economic and legal aspects of the Scottish Enlightenment, see the collection of essays *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment* (Cambridge University Press, 1983), ed. Istvan Hont and Michael Ignatieff. For the best collection of essays about Adam Smith and his contribution to the Scottish Enlightenment, see *Adam Smith: Critical Assessments* (London: Croom Helm, 1984), 4 vols., ed. John Cunningham Wood.

#### Hutcheson

In many ways the Scottish Enlightenment began with the moral

philosophy of Francis Hutcheson who interpreted the seventeenth century natural jurisprudence tradition of Grotius and Pufendorf for a new generation of thinkers. Hutcheson's *A System of Moral Philosophy* (1755) contains many social, legal, and economic insights which were developed in much greater depth later in the century by writers such as Adam Ferguson, Lord Kames, John Millar, William Robertson, and Adam Smith. The other major pioneer of the Scottish Enlightenment was David Hume whose contributions to social philosophy and history were immense. On Hutcheson, see W. L. Taylor, *Francis Hutcheson and David Hume as Predecessors of Adam Smith* (Durham, NC: Duke University Press, 1965) and Caroline Robbins, "When is it That Colonies May Turn Independent: An Analysis of the Environment and Politics of Francis Hutcheson 1669–1746," *William and Mary Quarterly*, 1954, 11, pp. 214–51. On Hume, see Duncan Forbes, "Politics and History in David Hume," *Historical Journal*, 1963, 6; Duncan Forbes, *Hume's Philosophical Politics* (Cambridge University Press, 1975); Friedrich Hayek, "The Legal and Political Philosophy of David Hume," in *Studies in Philosophy, Politics and Economics* (University of Chicago Press, 1969); Eugene Rotwein, *David Hume: Writings on Economics* (Madison: University of Wisconsin Press, 1970).

**"each (man) has a natural right to exert his powers, according to his own judgment and inclination, for these purposes, in all such industry, labour or amusements, as are not hurtful to others in their persons or goods. . . This right we call natural liberty."**

**"Mankind have generally been a great deal too tame and tractable; and hence so many wretched forms of power have always enslaved nine-tenths of the nations of the world, where they have the fullest rights to make all efforts for a change."**

Francis Hutcheson

#### Historical & Sociological Contributions

Although the Scottish Enlightenment is probably best remembered for its contribution to economic theory, it also made fundamental contributions to history and sociology. For the first time, the categories of economic analysis were applied in a systematic manner to the study of history and social institutions to create what was known as "Theoretical or Conjectural History." For example, it was observed that the ancient world

and the recently discovered aboriginal societies of North America had very different economic and social structures from the more commercial societies of eighteenth century Europe. Lord Kames in his *Historical Law Tracts* (1758), Adam Smith in his "Letter to the Authors of the Edinburgh Review" (1755), Adam Ferguson in *Essay on the History of Civil Society* (1767), and William Robertson in *History of America* (1777) developed a sophisticated theory of historical change based upon the structure of property rights and the particular means of production in each of the different societies to explain the varying degrees of economic progress. On the history of what is known as the "four stages theory" of economic development, see Ronald L. Meek, *Social Science and the Ignoble Savage* (Cambridge University Press, 1976).

#### Class Analysis

Related to the development of their historical understanding was the creation of a theory of class. Adam Ferguson and John Millar are the most interesting precursors of modern sociology in this period. In Ferguson's *An Essay on the History of Civil Society* (Edinburgh University Press, 1965) ed. Duncan Forbes, and Millar's *The Origin of the Distinction of Ranks* (reprinted in Lehmann, *John Millar of Glasgow*, cited below, pp. 165–322) and *An Historical View of the English Government* (London, 1803), ed. J. Craig and J. Mylne the idea that political privilege, based upon one's social or economic position, is a determining factor in explaining the history and development of political power. Marxists like Ronald Meek have seized upon this aspect of Scottish thought as an early presentiment of the materialist theory of history. However, a closer examination of Ferguson and Millar reveals their liberal inclinations and the importance they placed on non-economic (i.e. political) forms of privilege. On the class analysis and general sociological theory of the Scottish Enlightenment, see David Kettler, *The Social and Political Thought of Adam Ferguson* (Ohio State University Press, 1965); William C. Lehmann, *John Millar of Glasgow, 1735–1801, his Life and Thought, and his Contribution to Sociological Analysis* (Cambridge University Press, 1960); William C. Lehmann, *Adam Ferguson and the Beginnings of Modern Sociology* (Columbia University Press, 1930); William C. Lehmann, "John Millar, Historical Sociologist: Some Remarkable Anticipations of Modern Sociology," *British*

**"It is expected that the prerogatives of the monarch, and of the ancient nobility will be gradually undermined, that the privileges of the people will be extended in the same proportion and that power, the usual attendant of wealth, will be in some measure diffused over all the members of the community."**

John Millar

*Journal of Sociology* 3, 1952, pp. 30–46; A. Swingewood, "Origins of Sociology: The Case of the Scottish Enlightenment," *British Journal of Sociology*, 1970, 21, pp. 164–80; D. A. Reisman, *Adam Smith's Sociological Economics* (New York: Barnes and Noble, 1976); Duncan Forbes, "Scientific Whiggism: Adam Smith and John Millar," *Cambridge Journal* 7, 1954, pp. 643–70; Andrew Skinner, "Economics and History: The Scottish Enlightenment," *Scottish Journal of Political Economy* 12, 1965, pp. 1–22; Andrew Skinner, "Adam Smith: An Economic Interpretation of History," in A. S. Skinner and T. Wilson eds., *Essays on Adam Smith* (Oxford: Clarendon Press, 1975); Ronald L. Meek, "The Scottish Contribution to Marxist Sociology," *Democracy and the Labour Movement* (London: Lawrence and Wishart, 1954), ed. J. Saville; Andrew Skinner, "A Scottish Contribution to Marxist Sociology?" in *Classical and Marxian Political Economy: Essays in Honour of Ronald L. Meek* (London: Macmillan, 1982), ed. Ian Bradley and Michael Howard, pp. 79, 114; Albert Saloman, "Adam Smith as Sociologist," in *Social Research* 12, 1945, 22–42; and Albion W. Small, *Adam Smith and Modern Sociology* (University of Chicago Press, 1907).

**"Men who have tasted of freedom, and who have felt their personal rights, are not easily taught to bear with encroachments on either, and cannot, without some preparation, come to submit to oppression."**

Adam Ferguson

#### Legal Theory

The linchpin of the "system of natural liberty" advocated by Adam Smith and the other representatives of the Scottish Enlightenment was a legal system which represented individual liberty and property, dispensed fair and inexpensive justice, and allowed for the expansion of individual opportunity by permitting the expansion of commerce and industry. The basic sources on Scottish legal theory are Adam Smith's *Theory of Moral Sentiments* (Indianapolis: Liberty Classics, 1976), ed. D. D. Raphael and A. L. Macfie and *Lectures on Jurisprudence* (Indianapolis: Liberty Classics, 1982), ed., R. L. Meek, D. D. Raphael and P. G. Stein. For a discussion of Scottish jurisprudence, see the following works by Peter Stein, "Adam Smith's Theory of Law and Society," *Classical Influences on Western Thought, 1650–1870* (Cambridge University Press, 1979), pp. 263–73; "Scottish Philosophical History of Law," in *Legal Evolution: The Story of an Idea* (Cambridge University Press, 1980), pp. 23–50; "Legal Thought in Eighteenth Century Scotland," *Juridical Review* 1, 1957, pp. 1–20; "The General Notions of Contract and Property in Eighteenth Century Scotland," *Juridical Review* 8, 1963, pp. 1–13; "Law and Society in Eighteenth Century Thought," in N. T. Phillipson and R. Mitchison eds., *Scotland in the Age of Improvement* (Edinburgh, 1970). Other useful pieces on Scottish legal theory include N. McCormick,



"Adam Smith on Law," *Valparaiso University Law Review*, 1980; the essays by James Moore and Michael Silverthorne, David Lieberman, and J. G. A. Pocock in *Wealth and Virtue*, cited above; T. D. Campbell, "Adam Smith and Natural Liberty," *Political Studies* XXV, 4, 1977, pp. 523-34; and Knud Haakonssen, *The Science of a Legislator: The Natural Jurisprudence of David Hume and Adam Smith* (Cambridge University Press, 1981).

**"As it is by treaty, by barter, and by purchase, that we obtain from one another the greater part of those mutual good offices which we stand in need of, so it is this same trucking disposition which originally gives occasion to the division of labour."**

**"The real recompense of labour, the real quantity of the necessities and conveniences of life which it can procure to the labourer, has, during the course of the present century, increased perhaps in a still greater proportion than its money price."**

Adam Smith

### Political Economy

But whenever the contributions of the Scottish Enlightenment to liberal social theory may be, the development of the science of political economy is perhaps the most important and Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* (Indianapolis: Liberty Classics, 1981), 2 vols., ed. R. H. Campbell and A. S. Skinner, is justifiably the most famous example of it. *Wealth of Nations* (1776) combines a formidable historical knowledge of both ancient and contemporary economic history and statistics with a theory of how an advanced commercial society operated. Smith was not just content with describing the effects of the expansion of commercial and industrial relations which were then transforming European society. He also was engaged in a fierce struggle to end the inefficient and unjust mercantilist restrictions which were hampering trade, retarding economic growth and prosperity, and threatening to cause a major break with the North American colonies. On Adam Smith's political involvement in the revolutions of his time, see E. A. Benians, "Adam Smith's Project of an Empire," *Cambridge Historical Journal* 1, 1925, pp. 249-83; C. R. Fay, "Adam Smith, America, and the Doctrinal Defeat of the Mercantile System," *Quarterly Journal of Economics* 48, 1934, pp. 304-16; J. A. La Nauze, "The Substance of Adam

Smith's Attack on Mercantilism," *Economic Record*, pp. 90-93, 1937; R. Koebner, "Adam Smith and the Industrial Revolution," *The Economic History Review* II, 3, 1959, pp. 381-91; and Donald Winch, *Adam Smith's Politics: An Essay in Historiographic Revision* (Cambridge University Press, 1979).

### Adam Smith & Laissez Faire

Although Adam Smith was no believer in *laissez-faire* (reserving rather extensive public good functions for the state) the broad analytical framework he worked out was an improvement on what had gone before and laid the basis for more radical *laissez-faire* theorists, such as the Frenchman Jean-Baptiste Say, in the future. On the debate about whether Smith believed in *laissez-faire*, see the works cited in the previous paragraph as well as the following: Lionel Robbins, *The Theory of Economic Policy in English Classical Political Economy* (New York: St. Martin's Press, 1952); Jacob Viner, "Adam Smith and Laissez-Faire," in *The Long View and the Short: Studies in Economic Theory and Policy* (New York: The Free Press, 1958), pp. 213-45; Warren J. Samuels, *The Classical Theory of Economic Policy* (Cleveland: World, 1966); Albert Schatz, *L'individualisme économique et sociale* (Paris: Armand Colin, 1907); Jacob Viner, "The Intellectual History of Laissez-Faire," *Journal of Law and Economics* 3, 1960, pp. 45-69; and Andrew S. Skinner, "The Functions of Government," in *A System of Social Science: Papers Relating to Adam Smith* (Oxford: Clarendon Press, 1979). More generally on Adam Smith's economic and political theories, see E. G. West, "Adam Smith's Economics of Politics," *History of Political Economy* 8, 4, 1976, pp. 515-39; Ronald Hamowy, "Adam Smith, Adam Ferguson, and the Division of Labour," *Economica* 35, 1968, pp. 249-59; and Samuel Hollander, *The Economics of Adam Smith* (University of Toronto Press, 1973).

Adam Smith's economic theories were to have a profound effect on both liberal thought and government policy in the nineteenth century, particularly in France and England. The next part of our "Outline" will deal with Jean-Baptiste Say and the liberal movement which developed in France.

**"Such neglect of the history of the law, is the more strange, that in place of a dry, intricate and crabbed science, law treated historically becomes an entertaining study: entertaining not only to those whose profession it is, but to every person who hath any thirst for knowledge."**

Lord Kames

### Crosscurrents

#### Political Philosophy

The revival of interest in natural rights among political philosophers continues. Highly recommended is the collection *Human Rights* (Oxford: Basil Blackwell, 1984), ed. Ellen Frankel Paul, Fred D. Miller Jr., and Jeffrey Paul.

The Oxford political philosopher John Gray has expanded and rewritten his essay "F. A. Hayek and the Rebirth of Classical Liberalism," *Literature of Liberty*, 1982, V, 4, pp. 19-101, which now appears in book form: *Hayek on Liberty* (Oxford: Basil Blackwell, 1984).

The *Institut économique de Paris* is publishing a series of books to revive the liberal tradition in France. It is translating Hayek's *Law, Legislation and Liberty*, Robert Nozick's *Anarchy, State and Utopia* and reprinting some of the works of indigenous classical liberal, Frédéric Bastiat. Available so far is Bastiat's essays *Propriété et Loi suivie de l'état*, ed. Florin Aftalion (Institut économique de Paris, 1983) and his *Oeuvres économiques*, ed. Florin Aftalion (Paris: Presses Universitaires de France, 1983). Both are masterpieces of style and withering polemic in the cause of free trade and *laissez-faire*.

John Locke continues to be reassessed by scholars. Johannes Rohbeck, "Property and Labour in the Social Philosophy of John Locke," *History of European Ideas* 5, 1, pp. 65-77, argues that Locke owed much to the more radical Levellers, who wrote about property during the English Revolution.

A sympathetic treatment of rights is given by Terrence McConnell, "The Nature and Basis of Inalienable Rights," *Law and Philosophy*, 1984, 3, 1, pp. 25-29.

#### Legal Theory

The legal philosopher Lon Fuller is the subject of a useful monograph by Robert S. Summer, *Lon Fuller* (London: Edward Arnold, 1984).

#### Economics

The great liberal economist Lord Robbins, who died in 1984, will be able to influence another generation of economics students with the very welcome reprint of his classic work *An Essay on the Nature and Significance of Economic Science* (London: Macmillan, 1984 3rd ed.), ed. William J. Baumol.

Two articles in a recent issue of the *History of Political Economy* 16, 2, 1984, are of considerable interest. Leland B. Yeager, "Henry George and Austrian Economics," pp. 157-74, argues that there are similarities between Henry George and the Austrians (although not on the single tax issue) and Patricia J. Euzent and Thomas L. Martin, "Classical Roots of the Emerging Theory of Rent Seeking: The Contribution of Jean-Baptiste Say," pp. 255-62, show that Say was well aware of the role of the state as a source of monopoly privilege.

On the problem of whether the state (as protector of property or dispenser of privileges) creates the conditions for economic development, see Douglass C. North, "Government and the Cost of Exchange in History," *Journal of Economic History* XLIV, 2, 1984, pp. 255-64.

The *Zeitschrift für die gesamte Staatswissenschaft* 140, 1, 1984, is a special issue devoted to "The New Institutional Economics." Of particular interest are the articles by Douglass B. North, "Transaction Costs, Institutions, and Economic History"; T. W. Hutchinson, "Institutionalist Economics Old and New"; and Oliver E. Williamson, "The Economics of Governance: Framework and Implications."

On the important topic of rent-seeking again, James M. Buchanan, "Rent Seeking, Noncompensated Transfers, and Laws of Succession," *Journal of Law and Economics* XXVI, 1, 1983, pp. 71-85.

#### Feminism

Two important works on nineteenth century liberal feminism have been republished by Virago Press of London. The first is a combined edition of *The Subjection of Women* by John Stuart Mill and *Enfranchisement of Women* by Harriet Taylor Mill (London: Virago Press, 1983), ed. Kate Soper. The second work is *Harriet Martineau's Autobiography* (London: Virago, 1983), 2 vols., ed. Gaby Weiner, on the life of a well-known nineteenth century popularizer of *laissez-faire* economics.

**"We deny the right of any portion of the species to decide for another portion, or any individual for another individual, what is and what is not their 'proper sphere.'"**

**"What is wanted for women is equal rights, equal admission to all social principles; not a position apart, a sort of sentimental priesthood."**

Harriet Taylor Mill

#### Literature

Radical liberal ideas were taken up by some famous poets and novelists like Percy Shelley, John Milton, George Eliot, and Stendahl. Shelley's political ideas are discussed by Michael Henry Scrivener, *Radical Shelley: The Philosophical Anarchism and Utopian Thought of Percy Bysshe Shelley* (Princeton University Press, 1982).

#### History

The remarkable explosion of talent which occurred in Scotland during the mid and late eighteenth century continues to attract scholars. A recent collection of essays is *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment*



(Cambridge University Press, 1983), ed. Istvan Hont and Michael Ignatieff.

A comprehensive collection of the most influential and important articles about Adam Smith and his seminal contribution to the Scottish Enlightenment is *Adam Smith: Critical Assessments* (London: Croom Helm, 1984), 4 vols., ed. John Cunningham Wood.

If ever there was a classical liberal heyday it was the nineteenth century in England. The broader theoretical framework in which classical liberals operated is the subject of *That Noble Science of Politics: A Study in Nineteenth-Century Intellectual History* (Cambridge University Press, 1983), ed. Stefan Collini, Donald Winch, and John Burrow. An overview of classical liberalism appears in Anthony Arblaster, *The Rise and Decline of Western Liberalism* (Oxford: Basil Blackwell, 1984). Unfortunately, Arblaster ignores most of the radical liberal tradition that we have discussed in past issues of the *Humane Studies Review*.

Marxist theorists of "dependency" have a difficult time explaining how some dependent colonial societies such as Australia, Argentina, and South Africa flourished under the colonial domination. Donald Denoon, in *Settler Capitalism: The Dynamics of Dependent Development in the Southern Hemisphere* (Oxford: Clarendon Press, 1983), shows that the absence of capitalist institutions rather than colonial dependency as such is the cause of poverty and backwardness.

The rich heritage of nineteenth century French liberalism is gradually being rediscovered by scholars. The most recent work is Cheryl B. Welch, *Liberty and Utility: The French Idéologues and the Transformation of Liberalism* (New York: Columbia University Press, 1984).

A new translation of a classic essay by Ludwig von Mises is highly recommended: *Nation, State, and Economy: Contributions to the Politics and History of our Time*, trans. Leland B. Yeager (New York University Press, 1983).

Jeffrey Williamson argues in a recent paper that money needed to finance the Napoleonic Wars siphoned capital away from industry and thus slowed down British economic development. See Jeffrey G. Williamson, "Why Was British Growth So Slow During the Industrial Revolution?" *Journal of Economic History* XLIV, 3, 1984, pp. 687-712.

The way in which the State has gradually and increasingly taken over various aspects of the German economy from the late nineteenth century to the present is the subject of Gerold Ambrosius, *Der Staat als Unternehmer* (Göttingen: Vandenhoeck und Ruprecht, 1984).

The right to bear arms is a fundamental plank in the classical liberal platform of basic individual liberties. On the history of this right, see Lawrence D. Cress, "An Armed Community: The Origins and Meaning of the Right to Bear Arms," *Journal of American History*, 1984, 71, 1, pp. 22-42.

Should a historian make moral judgments? Faced with the brutality of states in the modern period it is hard not to. The great advocate of moral judgments in history was the liberal historian Lord Acton. The development of Acton's views on this vital matter can be found in T. Murphy, "Lord Acton and the Question of Moral Judgments in History: The Development of his Position," *Catholic Historical Review*, 1984, LXX, 2, pp. 225-50.

An interesting historical, although not particularly sympathetic, treatment of the relationship between economic and political liberalism is Rudolf The Red Nosed Walther, "Economic Liberalism," *Economy and Society*, 1984, 13, 2, pp. 178-207.

**"The legal subordination of one sex to another—is wrong in itself, and now one of the chief hindrances to human improvement."**

**"Since nobody asks for protective duties and bounties in favour of women; it is only asked that the present bounties and protective duties in favour of men should be recalled."**

John Stuart Mill

Amazing changes in a liberal direction are taking place in Communist China. Contemporary events make the "Special Issue On China" of *Theory and Society*, 1984, 13, 3, relevant. In particular, A. Feuerwerker, "The State and the Economy in Late Imperial China," pp. 297-326, and Mark Elvin, "Why China Failed to Create an Endogenous Industrial Capitalism: A Critique of Max Weber's Explanation," pp. 379-91.

#### Sociology

For a view of modern history which sees the expanding role of the state and its bureaucracies as the central factor we can recommend the new and expanded edition of Henry Jacoby's *Die Bürokratisierung der Welt* (New York and Frankfurt am Main: Campus Verlag, 1984).

The great sociologist Georg Simmel had a profound interest in the problem of individual freedom. Many of his perceptive essays can be found in *Das Individuum und die Freiheit: Essays* (Berlin: Verlag Klaus Wagenbuch, 1984).

The death of French liberal sociologist Raymond Aron was a great loss to the liberal movement. A translation has appeared of an article Aron wrote about one of his great liberal mentors, Élie Halévy, who is most famous for his multi-volume history of England and for the collection of essays, *The Era of Tyrannies: Essays on Socialism and War*, trans. R. K. Webb (New York University Press, 1966). See Aron's "Élie Halévy," *Government and Opposition*, 1984, 19, 4, pp. 407-22.

#### War and Peace

A useful encyclopedia of pacifist ideas and movements in the German speaking lands of Europe is *Die Friedensbewegung: Organisierter Pazifismus in Deutschland, Österreich und in der Schweiz* (Düsseldorf: ECON Taschenbuch Verlag, 1983), ed. Helmut Donat and Karl Holl.

A central theme of the *Humane Studies Review* is the total opposition of classical liberalism and all forms of militarism. An excellent short book about the development of the idea of "militarism," with a guide to the massive literature, is V. R. Berghahn, *Militarism: The History of an International Debate 1861-1979* (Cambridge University Press, 1984).

A one-volume history of the various peace movements in American history, showing their continuity and interrelationships, is Charles DeBenedetti, *The Peace Reform in American History* (Bloomington: Indiana University Press, 1984).

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