The Clash of Group Interests

To apply the term "group tensions" to denote contemporary antagonisms is certainly a euphemism. What we have to face are conflicts considered as irreconcilable and resulting in almost continual wars, civil wars, and revolutions. As far as there is peace, the reason is not, to be sure, love of peace based on philosophical principles, but the fact that the groups concerned have not yet finished their preparations for the fight and, for considerations of expediency, are waiting for a more propitious moment to strike the first blow.

In fighting one another, people are not in disagreement with the consensus of contemporary social doctrines. It is an almost generally accepted dogma that there exist irreconcilable conflicts of group interests. Opinions differ by and large only with regard to the question, which groups have to be considered as genuine groups and, consequently, which conflicts are the genuine ones. The nationalists call the nations (which means in Europe the linguistic groups), the racists call the races, and the Marxians call the "social classes," the genuine groups. But there is unanimity with regard to the doctrine that a genuine group cannot prosper except to the detriment of other genuine groups. The natural state of intergroup relations, according to this view, is conflict.

This social philosophy has made itself safe against any criticism by proclaiming the principle of polylogism. Marx, Dietzgen, and the radicals

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among the representatives of the "sociology of knowledge" teach that the logical structure of mind is different with different social classes. If a man deviates from the teachings of Marxism, the reason is either that he is a member of a nonproletarian class and therefore constitutionally incapable of grasping the proletarian philosophy; or, if he is a proletarian, he is simply a traitor. Objections raised to Marxism are of no avail because their authors are "sycophants of the bourgeoisie." In a similar way the German racists declare that the logic of the various races is essentially different. The principles of "non-Aryan" logic and the scientific theories developed by its application are invalid for the "Aryans."

Now, if this is correct, the case for peaceful human cooperation is hopeless. If the members of the various groups are not even in a position to agree with regard to mathematical and physical theorems and biological problems, they will certainly never find a pattern for a smoothly functioning social organization.

It is true that most of our contemporaries, in their avowal of polylogism do not go so far as the consistent Marxians, racists, etc. But a vicious doctrine is not rendered less objectionable by timidity and moderation in its expression. It is a fact that contemporary social and political science makes ample use of polylogism, although its champions refrain from expounding clearly and openly the philosophical foundations of polylogism's teachings. Thus, for instance, the Ricardian theory of foreign trade is simply disposed of by pointing out that it was the "ideological superstructure" of the class interests of the nineteenth-century British bourgeoisie. Whoever opposes the fashionable doctrines of government interference with business or of labor-unionism is—in Marxian terminology—branded as a defender of the unfair class interests of the "exploiters."

The very way in which social scientists, historians, editors, and politicians apply the terms "capital" and "labor" or deal with the problems of economic nationalism is the proof that they have entirely adopted the doctrine of the irreconcilable conflict of group interests. If it is true that such irreconcilable conflicts exist, neither international war nor civil war can be avoided.

Our wars and civil wars are not contrary to the social doctrines generally accepted today. They are precisely the logical outcome of these doctrines.

II

The first question we must answer is: What integrates those groups whose conflicts we are discussing?
Under a caste system the answer is obvious. Society is divided into rigid castes. Caste membership assigns to each individual certain privileges (*privilegia favorabilia*) or certain disqualifications (*privilegia odiosa*). As a rule a man inherits his caste quality from his parents, remains in his caste for life, and bestows his status on his children. His personal fate is inseparably linked with that of his caste. He cannot expect an improvement of his conditions except through an improvement in the conditions of his caste or estate. Thus there prevails a solidarity of interests among all caste members and a conflict of interests among the various castes. Each privileged caste aims at the attainment of new privileges and at the preservation of the old ones. Each underprivileged caste aims at the abolition of its disqualifications. Within a caste society there is an irreconcilable antagonism between the interests of the various castes.

Capitalism has substituted equality under the law for the caste system of older days. In a free-market society, says the liberal\(^1\) economist, there are neither privileged nor underprivileged. There are no castes and therefore no caste conflicts. There prevails full harmony of the rightly understood (we say today, of the long-run) interests of all individuals and of all groups. The liberal economist does not contest the fact that a privilege granted to a definite group of people can further the short-term interests of this group at the expense of the rest of the nation. An import duty on wheat raises the price of wheat on the domestic market and thus increases the income of domestic farmers. (As this is not an essay on economic problems we do not need to point out the special-market situation required for this effect of the tariff.) But it is unlikely that the consumers, the great majority, will lastingly acquiesce in a state of affairs which harms them for the sole benefit of the wheat growers. They will either abolish the tariff or try to secure similar protection for themselves. If all groups enjoy privileges, only those are really benefited who are privileged to a far greater degree than the rest. With equal privilege for each group, what a man profits in his capacity as producer and seller is, on the other hand, absorbed by the higher prices he must pay in his capacity as consumer and buyer. But beyond this, all are losers because the tariff diverts production from the places offering the most favorable conditions for production to places offering less favorable conditions and thus reduces the total amount of the national income. The short-run interests of a group may be served by a

\(^1\) [Mises uses the term “liberal” in its nineteenth-century European sense, meaning laissez faire—Ed.]
privilege at the expense of other people. The rightly understood, i.e., the long-run interests are certainly better served in the absence of any privilege.

The fact that people occupy the same position within the frame of a free-market society does not result in a solidarity of their short-run interests. On the contrary, precisely this sameness of their place in the system of the division of labor and social cooperation makes them competitors and rivals. The short-run conflict between competitors can be superseded by the solidarity of the rightly understood interests of all members of a capitalist society. But—in the absence of group privileges—it can never result in group solidarity and in an antagonism between the interests of the group and those of the rest of society. Under free trade the manufacturers of shoes are simply competitors. They can be welded together into a group with solidarity of interests only when privilege supervenes, e.g., a tariff on shoes (*privilegium favorabile*) or a law discriminating against them for the benefit of some other people (*privilegium odiosum*).

It was against this doctrine that Karl Marx expounded his doctrine of the irreconcilable conflict of class interests. There are no castes under capitalism and bourgeois democracy. But there are social classes, the exploiters and the exploited. The proletarians have one common interest, the abolition of the wages system and the establishment of the classless society of socialism. The bourgeoisie, on the other hand, are united in their endeavors to preserve capitalism.

Marx's doctrine of class war is entirely founded on his analysis of the operation of the capitalist system and his appraisal of the socialist mode of production. His economic analysis of capitalism has long since been exploded as utterly fallacious. The only reason which Marx advanced in order to demonstrate that socialism is a better system than capitalism was his pretension to have discovered the law of historical evolution; namely, that socialism is bound to come with "the inexorability of a law of nature." As he was fully convinced that the course of history is a continuous progress from lower and less desirable modes of social production toward higher and more desirable modes and that therefore each later stage of social organization must necessarily be a better stage than the preceding stages were, he could not have any doubts about the blessings of socialism. Having quite arbitrarily taken for granted that the "wave of the future" is driving mankind toward socialism, he believed that he had done everything that was needed to prove the superiority of socialism. Marx not only
refrained from any analysis of a socialist economy, he outlawed such studies as utterly "utopian" and "unscientific."

Every page of the history of the past hundred years belies the Marxian dogma that the proletarians are necessarily internationally minded and know that there is an unshakable solidarity of the interests of the wage-earners all over the world. Delegates of the "labor" parties of various countries have consorted with one another in the various International Working Men's Associations. But while they indulged in the idle talk about international comradeship and brotherhood, the pressure groups of labor of various countries were busy in fighting one another. The workers of the comparatively underpopulated countries protect, by the means of immigration barriers, their higher standard of wages against the tendency toward an equalization of wage rates, inherent in a system of free mobility of labor from country to country. They try to safeguard the short-run success of "pro-labor" policies by barring commodities produced abroad from access to the domestic market of their own countries. Thus they create those tensions which must result in war whenever those injured by such policies expect that they can brush away by violence the measures of foreign governments that are prejudicial to their own well-being.

Our age is full of serious conflicts of economic group interests. But these conflicts are not inherent in the operation of an unhampered capitalist economy. They are the necessary outcome of government policies interfering with the operation of the market. They are not conflicts of Marxian classes. They are brought about by the fact that mankind has gone back to group privileges and thereby to a new caste system.

In a capitalist society the proprietary class is formed of people who have well succeeded in serving the needs of the consumers and of the heirs of such people. However, past merit and success give them only a temporary and continually contested advantage over other people. They are not only continually competing with one another, they have daily to defend their eminent position against newcomers aiming at their elimination. The operation of the market steadily removes incapable capitalists and entrepreneurs and replaces them by parvenus. It again and again makes poor men rich and rich men poor. The characteristic features of the proprietary class are that the composition of its membership is continually changing, that entrance into it is open to everybody, that continuance in membership requires an uninterrupted sequence of successful business operations, and that the membership is
divided against itself by competition. The successful businessman is not interested in a policy of sheltering the unable capitalists and entrepreneurs against the vicissitudes of the market. Only the incompetent capitalists and entrepreneurs (mostly later generations) have a selfish interest in such "stabilizing" measures. However, within a world of pure capitalism, committed to the principles of a consumers' policy, they have no chance to secure such privileges.

But ours is an age of producers' policy. Present day "unorthodox" doctrines consider it as the foremost task of a good government to place obstacles in the way of the successful innovator for the sole benefit of less efficient competitors and at the expense of the consumers. In the predominantly industrial countries the main feature of this policy is the protection of domestic farming against the competition of foreign agriculture working under more favorable physical conditions. In the predominantly agricultural countries it is, on the contrary, the protection of domestic manufacturing against the competition of foreign industries producing at lower costs. It is a return to the restrictive economic policies abandoned by the liberal countries in the course of the eighteenth and nineteenth centuries. If people had not discarded these policies then, the marvelous economic progress of the capitalist era would never have been achieved. If the European countries had not opened their frontiers to the importation of American products—cotton, tobacco, wheat, etc.—and if the older generations of Americans had rigidly barred the importation of European manufactures, the United States would never have reached its present stage of economic prosperity.

It is this so-called producers' policy that integrates groups of people, who otherwise would consider each other simply as competitors, into pressure groups with common interests. When the railroads came into being, the coach drivers could not consider joint action against this new competition. The climate of opinion would have rendered such a struggle futile. But today the butter producers are successfully struggling against margarine and the musicians against recorded music. Present-day international conflicts are of the same origin. The American farmers are intent upon barring access to Argentinian cereals, cattle, and meat. European countries are acting in the same way against the products of the Americas and of Australia.

The root causes of present-day group antagonisms must be seen in the fact that we are on the point of going back to a system of rigid castes. Australia and New Zealand are democratic countries. If we overlook the fact that their domestic policies are breeding domestic
pressure groups fighting one another, we could say that they have built up homogeneous societies with equality under the law. But under their immigration laws, barring access not only to colored but no less to white immigrants, they have integrated their whole citizenry into a privileged caste. Their citizens are in a position to work under conditions safeguarding a higher productivity of the individual's work and thereby higher wages. The nonadmitted foreign workers and farmers are excluded from the enjoyment of such opportunities. If an American labor union bars colored Americans from access to its industry, it converts the racial difference into a caste quality.

We do not have to discuss the problem whether or not it is true that the preservation and the further development of occidental civilization require the maintenance of the geographical segregation of various racial groups. The task of this paper is to deal with the economic aspects of group conflicts. If it is true that racial considerations make it inexpedient to provide an outlet for the colored inhabitants of comparatively overpopulated areas, this would not contradict the statement that in an unhampered capitalist society there are no irreconcilable conflicts of group interests. It would only demonstrate that racial factors make it inexpedient to carry the principle of capitalism and market economy to its utmost consequences and that the conflict among various races is, for reasons commonly called noneconomic, irreconcilable. It would certainly not disprove the statement of the liberals that within a society of free enterprise and free mobility of men, commodities, and capital, there are no irreconcilable conflicts of the rightly understood interests of various individuals and groups of individuals.

III

The belief that there prevails an irreconcilable conflict of group interests is age-old. It was the essential proposition of Mercantilist doctrine. The Mercantilists were consistent enough to deduce from this principle that war is an inherent and eternal pattern of human relations. Mercantilism was a philosophy of war.

I want to quote two late manifestations of this doctrine. First a dictum of Voltaire. In the days of Voltaire, the spell of Mercantilism had already been broken. French Physiocracy and British Political Economy were on the point of supplanting it. But Voltaire was not yet familiar with the new doctrines, although one of his friends, David Hume, was their foremost champion. Thus he wrote in 1764 in his Dictionnaire Philosophique: "être bon patriote, c'est souhaiter que sa
ville s'enrichisse par le commerce et soit puissante par les armes. Il est clair qu'un pays ne peut gagner sans qu'un autre perde, et qu'il ne peut vaincre sans faire des malheureux.² Here we have in beautiful French the formula of modern warfare, both economic and military. More than eighty years later we find another dictum. Its French is less perfect, but its phrasing is more brutal. Says Prince Louis Napoleon Bonaparte, the later Emperor Napoleon III: "La quantité' des marchandises qu'un pays exporte est toujours en raison directe du nombre des boulets qu'il peut envoyer à ses ennemis, quand son honneur et sa dignité le commandent."³

Against the background of such opinion we must hold the achievements of the classical economists and of the liberal policies inspired by them. For the first time in human history a social philosophy emerged that demonstrated the harmonious concord of the rightly understood interests of all men and of all groups of men. For the first time a philosophy of peaceful human cooperation came into being. It represented a radical overthrow of traditional moral standards. It was the establishment of a new ethical code.

All older schools of morality were heteronomous. They viewed the moral law as a restraint imposed upon man by the unfathomable decrees of Heaven or by the mysterious voice of conscience. Although a mighty group has the power to improve its own earthly well-being by inflicting damage upon weaker groups, it should abide by the moral law and forego furthering its own selfish interests at the expense of the weak. The observance of the moral law amounts to sacrificing some advantage which the group or the individual could possibly secure.

In the light of the economic doctrine things are entirely different. There are, within an unhampered market society, no conflicts among the rightly understood selfish interests of various individuals and groups. In the short run an individual or a group may profit from violating the interests of other groups or individuals. But in the long run, in indulging in such actions, they damage their own selfish interests no less than those of the people they have injured. The sacrifice that a man or a group makes in renouncing some short-run gains, lest they endanger the peaceful operation of the apparatus of social cooperation, is merely temporary. It

²This quote from Voltaire is translated as: to be a good patriot is to hope that one's town enriches itself through commerce and is powerful, in arms. It is clear that a country cannot gain unless another losses and it cannot prevail without making others miserable.

³Louis Napoleon Bonaparte, Extinction du Paupérisme (Paris: La Guittière, 1848), p. 6, and is translated as: The quantity of goods which a country exports is always directly related to the number of bullets which it can send against its enemies with honor and dignity demanded.
amounts to an abandonment of a small immediate profit for the sake of incomparably greater advantages in the long run.

Such is the core of the moral teachings of nineteenth-century utilitarianism. Observe the moral law for your own sake, neither out of fear of hell nor for the sake of other groups, but for your own benefit. Renounce economic nationalism and conquest, not for the sake of foreigners and aliens, but for the benefit of your own nation and state.

It was the partial victory of this philosophy that resulted in the marvelous economic and political achievements of modern capitalism. It is its merit that today there are living many more people on the earth’s surface than at the eve of the Industrial Revolution, and that in the countries most advanced on the way to capitalism the masses enjoy a more comfortable life than the well-to-do of earlier ages.

The scientific basis of this utilitarian ethics was the teachings of economics. Utilitarian ethics stands and falls with economics.

It would, of course, be a faulty mode of reasoning to assume beforehand that such a science of economics is possible and necessary because we approve of its application to the problem of peace preservation. The very existence of a regularity of economic phenomena and the possibility of a scientific and systematic study of economic laws must not be postulated a priori. The first task of any preoccupation with the problems commonly called economic is to raise the epistemological question whether or not there is such a thing as economics.

What we must realize is this: if this scrutiny of the epistemological foundations of economics were to confirm the statements of the German Historical School and of the American Institutionals that there is no such thing as an economic theory and that the principles upon which the economists have built their system are illusory, then violent conflicts among various races, nations, and classes are inevitable. Then the militarist doctrine of perpetual war and bloodshed must be substituted for the doctrine of peaceful social cooperation. The advocates of peace are fools. Their program stems from ignorance of the basic problems of human relations.

There is no social doctrine other than that of the “orthodox” and “reactionary” economists that allow the conclusion that peace is desirable and possible. Of course, the Nazis promise us peace for the time after their final victory, when all other nations and races will have learned that their place in society is to serve as slaves of the Master Race. The Marxians promise us peace for the time after the final victory of the proletarians, precisely, in the words of Marx, after the working class will have passed “through long struggles, through
a whole series of historical processes, wholly transforming both circumstances and men."

This is meager consolation indeed. At any rate, such statements do not invalidate the proposition that nationalists and Marxians consider their violent conflict of group interests as a necessary phenomenon of our time and that they attach a moral value either to international war or to class war.

IV

The most remarkable fact in the history of our age is the revolt against rationalism, economics, and utilitarian social philosophy; it is at the same time a revolt against freedom, democracy, and representative government. It is usual to distinguish within this movement a left-wing and a right-wing. The distinction is spurious. The proof is that it is impossible to classify in either of these groups the great leaders of the movement. Was Hegel a man of the Left or of the Right? Both the left wing and the right wing Hegelians were undoubtedly correct in referring to Hegel as their master. Was Georges Sorel a Leftist or a Rightist? Both Lenin and Mussolini were his intellectual disciples. Bismarck is commonly regarded as a reactionary. But his social-security scheme is the acme of present-day progressivism. If Ferdinand Lassalle had not been the son of Jewish parents, the Nazis would call him the first German labor leader and the founder of the German Socialist Party, one of their greatest men. From the point of view of true liberalism, all the supporters of the conflict doctrine form one homogenous party.

The main weapon applied by both the right- and the left-wing anti-liberals is calling their adversaries names. Rationalism is called superficial and unhistoric. Utilitarianism is branded as a mean system of stockjobber ethics. In the non-Anglo-Saxon countries it is, besides, qualified as a product of British "peddler mentality" and of American "dollar philosophy." Economics is scorned as "orthodox," "reactionary," "economic royalism" and "Wall Street ideology."

It is a sad fact that most of our contemporaries are not familiar with economics. All the great issues of present-day political controversies are economic. Even if we were to leave out of account the fundamental problem of capitalism and socialism, we must realize that the topics daily discussed on the political scene can be understood only by means of economic reasoning. But people, even the civic

leaders, politicians, and editors, shun any serious occupation with economic studies. They are proud of their ignorance. They are afraid that a familiarity with economics might interfere with the naive self-confidence and complacency with which they repeat slogans picked up by the way.

It is highly probable that not more than one out of a thousand voters knows what economists say about the effects of minimum wage rates, whether fixed by government decree or by labor-union pressure and compulsion. Most people take it for granted that to enforce minimum wage rates above the level of wage rates which would have been established on an unhampered labor market is a policy beneficial to all those eager to earn wages. They do not suspect that such minimum wage rates must result in permanent unemployment of a considerable part of the potential labor force. They do not know that even Marx flatly denied that labor unions can raise the income of all workers and that the consistent Marxians in earlier days therefore opposed any attempts to decree minimum wage rates. Neither do they realize that Lord Keynes’s plan for the attainment of full employment, so enthusiastically endorsed by all “progressives,” is essentially based on a reduction of the height of real wage rates. Keynes recommends a policy of credit expansion because he believes that “gradual and automatic lowering of real wages as a result of rising prices” would not be so strongly resisted by labor as any attempt to lower money wage rates. It is not too bold a statement to affirm that with regard to this primordial problem the “progressive” experts do not differ from those popularly disparaged as “reactionary labor baiters.” But then the doctrine that there prevails an irreconcilable conflict of interests between employers and employees is deprived of any scientific foundation. A lasting rise in wage rates for all those eager to earn wages can be attained only by the accumulation of additional capital and by the improvement in technical methods of production which this additional wealth makes feasible. The rightly understood interests of employers and employees coincide.

It is no less probable that only small groups realize the fact that the free traders object to the various measures of economic nationalism because they consider such measures as detrimental to the welfare of their own nation, not because they are anxious to sacrifice

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the interests of their fellow citizens to those of foreigners. It is beyond
doubt that hardly any German, in the critical years preceding Hitler's
rise to power, understood that those fighting aggressive nationalism
and eager to prevent a new war were not traitors, ready to sell the
vital interest of the German nation to foreign capitalism, but patriots
who wanted to spare their fellow citizens the ordeal of a senseless
slaughter.

The usual terminology classifying people as friends or foes of labor
and as nationalists or internationalists, is indicative of the fact that
this ignorance of the elementary teachings of economics is an almost
universal phenomenon. The conflict philosophy is firmly entrenched
in the minds of our contemporaries.

One of the objections raised against the liberal philosophy recom-
mending a free-market society runs this way: "Mankind can never go
back to any system of the past. Capitalism is done for because it was
the social organization of the nineteenth century, an epoch that has
passed away."

However, what these would-be progressives are supporting is
tantamount to a return to the social organization of the ages preced-
ing the Industrial Revolution. The various measures of economic
nationalism are a replica of the policies of Mercantilism. The juris-
dictional conflicts between labor unions do not essentially differ from
the struggles between medieval guilds and inns. Like the absolute
princes of seventeenth- and eighteenth-century Europe, these mod-
ers are aiming at a system under which the government undertakes
the direction of all economic activities of its citizens. It is not consis-
tent to exclude beforehand the return to the policies of Richard
Cobden and John Bright if one does not find any fault in returning to
the policies of Louis XIV and Jean-Baptiste Colbert.

V

It is a fact that the living philosophy of our age is a philosophy of
irreconcilable conflict and dissociation. People value their party,
class, linguistic group, or nation as supreme, believe that their own
group cannot thrive but at the expense of other groups, and are not
prepared to tolerate any measures which in their opinion would have
to be considered as an abandonment of vital group interests. Thus a
peaceful arrangement with other groups is out of the question. Take
for instance the implacable intransigence of Leninism or of the
French *nationalisme integral* or of the Nazis. It is the same with
regard to domestic affairs. No pressure group is ready to renounce
the least of its pretensions for considerations of national unity.

It is true that powerful forces are fortunately still counteracting these tendencies toward disintegration and conflict. In this country the traditional prestige of the Constitution is such a factor. It has nipped in the bud the endeavors of various local pressure groups to break up the economic unity of the nation by the establishment of interstate trade barriers. But in the long run even these noble traditions may prove insufficient if not backed by a social philosophy, positively proclaiming the primacy of the interests of the great society and their harmony with the rightly understood interests of each individual.