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# Capitalism, Socialism, and “the Middle Way”

## *A Taxonomy*

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Although a wide range of institutions and social customs have been associated with the economic activities of society, only a very small number of basic modes of provisioning can be discovered beneath this variety. Indeed, history has produced but three such kinds of economic systems: those based on the principle of tradition, those organized according to command, and the rather small number, historically speaking, in which the central organizing form is the market.

—Robert L. Heilbroner and Peter J. Boettke, “Economic Systems”

**D**uring the twentieth century, the oldest type of economic system, the traditional economy, became virtually extinct, and the only significant economies left were of either the command type or the market type. As a result, the world’s dominant command system (bureaucratically planned socialism) and its dominant market system (industrial capitalism) came to be seen as the thesis and antithesis—the A and the not-A—of contemporary political-economic systems. It was certainly not an untenable classification: Frederic Pryor (2005) divided modern economic systems into “advanced market” economies and “Marxist economic systems.”

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Yet although the political-economic systems that Western nations actually employed involved little state ownership of the means of production (the classic definition of socialism), they did involve levels of government regulation that were incompatible with the classic definition of capitalism.<sup>1</sup> For that reason, political scientists felt compelled to coin a variety of terms to conceptualize this “middle way.” Unfortunately, such neologizing was often idiosyncratic and even tendentious. Authors either ignored the terms others had used to describe the same phenomenon or positively attacked the terms as ideologically motivated. In this article, we attempt to stand apart from such contentions, accepting the Heilbroner-Boettke framework of market-versus-command economies and then categorizing in neutral fashion several dozen terms that have been used to describe “the middle way.”

## Capitalism

The American political-economic system has conventionally been described as *capitalism*. “The United States is a capitalist nation,” writes Carl Kaysen, “one of the few in which capitalism is not controversial” (1996, 430). The term *American capitalism* is often used to distinguish the U.S. system from the less capitalistic systems in Europe and Japan (Boyer 1997, 74). *Anglo-American capitalism* is sometimes used to distinguish the more open market systems of the United Kingdom and the United States from the more regulated systems of continental Europe and Asia (Gray 1993, 36). Pryor lumps together the United Kingdom, the United States, Canada, Ireland, Australia, New Zealand, Switzerland, and Japan in his “Anglo-Saxon-plus” division of “advanced market economies” (2005, 172).

The idealized model of this system, best approximated in the early-nineteenth-century United States, has been described with the terms *free-market capitalism* (Rothbard 2006, 301) and *laissez-faire capitalism* (Skousen 2001, 46). The first of these terms assumes that economic transactions take place in a market that may be restricted in various degrees. Market capitalism, in its pure type, is thought to be free of such restrictions and thus to be a “free-market” or “free-enterprise” system (Conklin 1991, 8). In this view, the protection of property rights and the enforcement of contracts are obviously not looked on as market restrictions, but as the rules that allow the market to operate (Mises 1966, 282). The concept of “laissez-faire capitalism” (originally “laissez-nous faire” [Skousen 2001, 46], meaning “let us do” or “leave us be”) likewise suggests a lack of restrictions on activity. “Invisible-hand economy” (Knoke 1996, 5) adds the connotation that this absence of restrictions brings about certain happy but unintended outcomes, which Adam Smith described as the products of an invisible hand. The term *unhampered capitalism* (Mises 1966, 836) similarly

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1. In this article, we discuss only forms of government found in the United States and western Europe during modern times. Attempts to classify historical systems are fraught with difficulties of both knowledge and interpretation.

suggests that were restrictions to be introduced, they would “hamper” the economy’s ability to bring about such happy outcomes.

The capitalist emphasis on *unrestricted* economic activity leads many authors to conceptualize the system according to what justifies such a ban on restrictions. For example, the term *individualistic capitalism* implicitly bases the absence of economic restrictions on a political-ethical theory of individualism and usually of individual rights. “Individualistic capitalism is associated with the writings of John Locke and Adam Smith. . . . According to Locke, the individual is a fulcrum of society and has certain inalienable rights, including the right to own property” (Langran and Schnitzer 2006, 348). Other authors speak of “competitive capitalism” because they ground the absence of government regulation in the supposed utilitarian benefits of free competition. “For [Adam] Smith, good capitalism was competitive capitalism. . . . A good government, according to Adam Smith, was a minimal government, providing for the national defense and domestic order” (Almond 2006, 139). (In Marxist analyses, the term *competitive capitalism* is also used. There, however, it does not refer to the essential nature of the economic system, but merely to a passing phase, specifically an early phase that later yields to “monopoly capitalism” [Harris 1998, 415].)

Several other terms for classical capitalism are less familiar today. For example, people formerly spoke of “laissez-faire liberalism” (Schumpeter 1991, 435). The term *liberalism* as used here has not been current in the United States for a long time, referring as it does to a system that emphasizes liberty in the economic arena as well as in the personal and political arenas (Ekirch 1980). Today, the most common American term for such a system would be *libertarianism*. In Continental Europe, however, the older meaning of “liberalism” still has a strong hold. Thus, Jonah Levy writes: “It should be clear I am using ‘liberalism’ in the European sense—a belief in limited government, maximum individual liberty, and free markets—as opposed to the U.S. usage, conveying faith in government activism and social programs” (2004, 126 n. 4). As a sign of ever-shifting terminology, however, it should be noted that a book by the president and executive vice president of the Cato Institute, the leading U.S. libertarian think tank, now seeks to distance that organization from the term *libertarian* because the word is “too closely tied to a particular group of activists.” Rather, they suggest, “the perfect word” to characterize the system they have in mind is *liberal*, but qualified as *market liberal* in order to insist on the philosophy’s link to unhampered capitalism (Boaz and Crane 1993, 8–9).

Another term that has lost currency is *Manchesterism* (Mises 1966, 723, 730), which gained its meaning from the early-nineteenth-century association of the doctrines of laissez-faire and the city of Manchester, where the Anti-Corn Law League was headquartered. Because the Corn Laws were a protectionist regulation, those who opposed them argued for the benefits of free trade and free markets. The word *Manchesterism*, however, was coined as a term of abuse by the founder of German socialism, Ferdinand Lasalle (Raico 2005).

## Socialism

Socialism is usually defined as a political-economic system in which government owns the means of production. To be sure, a system is sometimes called “socialist” even though the state owns only the large-scale means of production—what Vladimir Lenin first ([1922] 1971) and the British socialist Aneurin Bevan later (1949) called the economy’s “commanding heights.” (Introducing confusion, Ian Bremmer recently described state ownership of such sectors as oil, steel, heavy machinery, telecommunications, aviation, and shipping as “state capitalism” [2009, 42].)

Economist Robert Heilbroner, however, describes socialism as “a centrally planned economy in which the government controls all means of production,” thereby emphasizing the state’s control and its role in planning, rather than its ownership of productive property (1993, 101).<sup>2</sup> Likewise, F. A. Hayek wrote that “the socialists of all parties have appropriated the term ‘planning’ for planning of the latter type,” to wit, the “central direction and organization of all our activities according to some consciously constructed ‘blueprint’” ([1944] 1994, 41). Several synonyms for a socialist system underline this feature of “central economic planning” (Nutter 1976)—for example, “the planned economy” (Mises 1951, 256).

Ludwig von Mises refers to such schemes disparagingly as “planned chaos” (1961), and the difficulties involved in centrally planning an economy led to a theoretical variant of socialism, “market socialism,” which was designed to solve the problems Mises enumerated. This is the partially planned socialism of Oskar Lange, under which a central planning board would control the means of production, but would do so in response to consumer choice at the retail level.<sup>3</sup> However, a number of socialist critics considered Lange’s proposed system not to be proper socialism at all (Kowalik 1998, 304), whereas others simply ignored it because it eschewed Marxist terminology (Guinevere Nell, e-mail to the authors, September 6, 2009).

The term *socialism* has also been applied to certain private experiments, such as Robert Owen’s New Lanark textile mills and his New Harmony community in the United States, but these experiments might better be described by the term *paternalistic communitarianism* because they were privately owned. Yet the term *socialism* is not totally inapt insofar as Owen himself hoped his schemes would be taken up by paternalistic governments and used to run much of the economy in a socialist fashion (Podmore 1907, 1:227). But if cooperative associations are intended always to operate within a market framework, then they might better be described as “communalist” rather than “socialist.” For instance, Jaroslav Vanek’s “participatory economy” envisioned worker-controlled firms operating in a market economy, paying to use

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2. This usage is in keeping with Heilbroner’s coauthored *Encyclopedia Britannica* article “Economic Systems,” which employs a classification based on obedience: obedience to tradition (expressed in peer pressure); obedience to social or political superiors (expressed in coercion); and obedience to the acquisitive impulse (Heilbroner and Boettke 2009).

3. For a thorough review of the economic calculation debate, see Lavoie 1985b.

capital (land, cash, tools) owned by others (1974, 160–70). Other subpolitical terms for such associations include *collectivism*, *cooperativism*, *fraternalism*, and *mutualism* (Wrong 2000, 31). If such a communalist ownership of productive resources is the only allowed system of property, however, one has the political-economic system of “syndicalism” (Mises 1966, 812) or “industrial democracy” (Dickman 1987, 88), a form of socialism that lacks central planning. “Titoism” was a related Yugoslav variant of socialism that replaced a certain amount of central planning with worker self-management and profit sharing (Rosser and Rosser 2004, 64).

### “Creeping Socialism”

Following the Civil War, the American political-economic system began to drift farther from the model of laissez-faire capitalism, as governments at the state and federal level passed laws to regulate the market. Since the end of the nineteenth century, therefore, many scholars have felt the need for a new term to describe the U.S. political-economic system. However, as often happens when change is evolutionary, the easiest response has simply been to apply a new adjective to the old noun. If the system was no longer “laissez-faire capitalism,” then it must be some other form of capitalism. For this reason, we hear of “regulatory capitalism” (Micklethwait and Wooldridge 2003, 149), “regulated capitalism” (Kolko 1976, 149), “regulatory-state capitalism” (Ikeda 2005, 41), and “mixed” capitalism (Bornstein 1974, 19). N. S. B. Gras refers to the system as “national capitalism” (1971, 323–25), and Joe Feagin calls it “New Deal capitalism” (1988, 159), after the political movement that so signally added to the degree of regulation in the United States. All of these terms imply that what exists remains a *variety* of capitalism, but with some degree of government “hampering.”

If one may view the post-Civil War economy as proceeding away from the pole of capitalism, surely one may view it as moving toward some other pole. The question is: What pole? If one adopts Heilbroner’s characterization of socialism as “a centrally planned economy in which the government controls all means of production,” surely a system with an increasing degree of governmental control is moving toward socialism. Thus, after World War II a revived Republican Party began to denounce New Deal and Fair Deal regulation of the U.S. economy as “creeping socialism.” Indeed, that description was used when Dwight D. Eisenhower and Robert Taft issued a joint statement designed to end the intraparty rancor that remained after Ike’s 1952 nomination victory: “The one great fundamental issue . . . is liberty against creeping socialism” (qtd. in Krock 1952).

This Republican accusation—that the United States was becoming socialist in the 1950s—was ridiculed by Democrats and their intellectual allies, such as Walter Lippmann (1952). They insisted that socialism is the political-economic system under which government *owns* the means of production. Thus, “creeping socialism” would have to refer to something like “commanding heights socialism,” government

ownership of some but not all of the means of production. In the United States, however, the central government simply did not *own* very many means of production in the 1950s, apart from the Tennessee Valley Authority, the Saint Lawrence Seaway Development Corporation, and a great expanse of western forest and range lands. Indeed, Pryor estimated government enterprises were responsible for 2.0 percent of the U.S. national income in 1950 (1973, 388). One might actually argue that the U.S. economy had been more socialist in the nineteenth century, when canals and railroads (often partly state owned) were the key to opening up inland territory, and the federally owned armories were critical to advancing the manufacture of interchangeable parts. In sum, the postwar U.S. government had not engaged in “creeping socialism” as the postwar British Labour government had done—end of argument. William Safire would later write in his lexicon of political terms that “*creeping socialism* survives as a term not so much because of Republican or conservative affection for it, but because liberals find it an easy target” (2008, 157).

Yet one must wonder, in light of the following story, whether the Republicans have entirely lost their affection for the concept of “creeping socialism”: “The Republican National Committee approved a resolution Wednesday calling on Democrats to ‘stop pushing our country toward socialism.’ The approved resolution was a watered-down version of a previous measure that referred to Democrats as the ‘Democrat Socialist Party’” (“RNC Adopts ‘Socialism’ Resolution” 2009). The response to this resolution was predictable. Like Lippmann, Conor Clarke (a contributor to the book *Creative Capitalism* [Kinsley 2008]) sneeringly remarked that, following the 2009 takeover of General Motors, the U.S. government owned precisely five one-hundredths of one percent of America’s companies (Clarke 2009).

In the end, though, partisan and ideological warfare cannot obscure the need to conceptualize the evolving political-economic system. If one is not allowed to say that the United States is experiencing “creeping socialism,” in the sense of having more government-owned companies, how can one characterize the political-economic system that has emerged since 1870? The market is evidently not as free now as it was then, and thus *restrictivism* might seem a logical term (Stromberg 1977, 76). Many on the right have settled on the highly abstract noun *statism* (R. Childs 1977, 14), which does not do much to elucidate the nature of the system. Some on the right use the term *interventionist state* (Ebeling 2008), and some on the left use the laudatory term *positive state* (Anderson 1962, 8; Kolko 1969, 5). But these terms serve only to distinguish the new regime from the negative “hands-off” state of *laissez-faire* capitalism. Are no more meaningful terms available?

## Political-Economic Dimensions

This much is clear: the means of production in the United States are not owned by government and are not subject to “comprehensive planning.” One might say that

“non-comprehensive planning” (Lavoie 1985a, 1) or “French-style” planning occurs, as opposed to Soviet-style planning (Lutz 1965, 2). One might describe the American system as “democratic planning” to distinguish it from the undemocratic systems of the Soviet sphere (Lavoie 1985a, 126). Gerald Sirkin speaks of “the visible hand,” but that usage merely distinguishes the system from the “invisible hand economy” (1968, viii). In any case, the obvious increase in federal economic control, but not ownership, has to be acknowledged somehow.

Yet doing so raises a fundamental question: If productive resources are privately owned, then by what *right* does the government increasingly control them? After all, what does ownership of property entail if not the right to determine how it is used? Do we not on that assumption typically distinguish capitalism and socialism as the two polar systems of government?

Private Ownership, Private Control 1. Capitalism	Public Ownership, Public Control 2. Socialism
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The answer, evidently, is that control of property comes in degrees, and a certain amount of public control may coexist with a certain amount of private ownership. That idea was well enunciated in 1922 by U.S. Supreme Court justice Oliver Wendell Holmes when he wrote: “The rule is that, while property may be regulated to a certain extent, if regulation goes too far, it will be recognized as a taking”—that is, as a deprivation of ownership for which a person must be compensated under the Constitution (*Pennsylvania Coal Company v. H.J. Mahon*, 216 US, 415 [1922]).

But how far is too far? In 1992, the U.S. Supreme Court allowed that regulation that deprives a property owner of *all* economically beneficial use of his property is a taking (*Lucas v. South Carolina Coastal Council*, 505 US 1003 [1992]). The Court has been reluctant, however, to go far beyond that statement. In 2001, the Court would declare only: “Where a regulation places limitations on land that fall short of eliminating all economically beneficial use, a taking nonetheless may have occurred, depending on a complex of factors including the regulation’s economic effect on the landowner, the extent to which the regulation interferes with reasonable investment-backed expectations, and the character of the government action” (*Palazzolo v. Rhode Island*, 533 US 606 [2001]). In most cases of regulation, though, the Court maintains that the owner is still the owner. His property has not been taken from him; only his ability to control his property has been limited.

Suppose, then, that we consider an additional set of two political-economic systems in which the ownership and control of property are in different hands. The “third way” evidently is a system in which ownership remains to some varying extent largely private and control is to some varying extent public. Such a system, which

has dominated much of the West for the past 140 years, calls for conceptualization.<sup>4</sup> Yet such an arrangement immediately suggests its reverse—a system in which ownership is to some varying extent public, but control is to some varying extent largely private. If there is a third way, is there also a “fourth way”?

Perhaps so. Consider the basic economic arrangement that prevailed under early feudalism. The king (the state) nominally owned all of the land in the country (Robinson, Fergus, and Gordon 1985, 50), but he gave the use of most of it to vassals in return for military service. Nevertheless, the land remained the king’s. When a vassal of the king died or became incapable of rendering service, the land reverted (escheated) to the king. It did not pass to the vassal’s eldest son until the son had personally made his own act of homage and had been accepted as a vassal in his own right. During the vassal’s lifetime, however, effective control was in private hands.

Something similar has occasionally been used in the United States. The Communications Act of 1934, which still provides the underlying legal basis for broadcast media in the United States, states in section 301: “It is the purpose of this Act, . . . to provide for the use of such [radio] channels, but not the ownership thereof, by persons for limited periods of time, under licenses granted by Federal authority, and no such license shall be construed to create any right, beyond the terms, conditions, and periods of the license.” For many decades, the government simply handed out frequencies to those who promised most obsequiously, as a kind of homage, to use them in “the public interest.” Pryor refers to the theoretical basis of such an arrangement as “stewardship” (1973, 382), but that term assimilates the ownership-control relationship to the principal-agent relationship, which is sometimes apt, but not always. After all, private owners do not look upon regulatory governments as their stewards, and monarchs often had justifiable doubts as to whether their vassals were acting as their stewards.

Here then is a second set of political-economic systems:

Private Ownership, Public Control 3. “The Third Way”	Public Ownership, Private Control 4. Feudalism
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### The Third Way

From the two boxes, we can see that capitalism, socialism, and feudalism are three of the basic ways in which a modern or semimodern political-economic system might be

4. Like us, Pryor also classifies economic systems by dividing ownership and control (2007, 386). However, he divides ownership into three categories, with “producer groups” such as cooperatives being a third term between private and governmental. Moreover, his dimension of control, instead of being divided between private and governmental, as is ours, ranges along the size of the predominant productive units in a society: small, medium, and large. This setup gives him a ninefold division that bears only a passing resemblance to ours. Our distinction between ownership and control also has similarities to the distinction between ownership and resource allocation that Morris Bornstein makes the fundamental basis of his classification of economic systems (1974, 1).

organized. What shall we call the remaining way? According to our diagram, it is a system in which the ownership of productive property is predominately private, but control over the property is predominately public. When the Republicans of the 1950s protested against “creeping socialism,” this is clearly the system they had in mind. They were saying that this system of regulating (controlling) business was being introduced by stages (was creeping in).

But that is political-economic history; the concern here is simply with political-economic concepts. What terms have been used to describe this system? Mises calls it simply the “third system” and the “third solution” (1966, 716, 859). In doing so, of course, he is thinking of it as distinct from capitalism and socialism; he does not have feudalism in mind as a fourth system. Similarly, Wilhelm Roepke refers to this political economy as the “third way” and the “third road” ([1937] 1963, 254). Perhaps the most famous such coinage is the subtitle of Marquis Childs’s 1936 best-seller *Sweden: The Middle Way*. Childs’s imaginative subtitle was borrowed two years later by Harold Macmillan for a book in which he likewise advocated a partially planned economy, *The Middle Way* (1938).

But the reference to Childs and to Scandinavian systems brings up an important side issue. To outsiders, the most visible feature of Scandinavian systems is their social-welfare apparatus. For that reason, the idea has spread that the “third way” or “middle way” refers to welfarism. Properly considered, however, welfare policies deal with a sociopolitical arrangement entirely separate from the ownership and control of productive resources under examination here. In fact, several Scandinavian and Benelux nations have been able to separate regulation of the economy from welfarism to a degree that seems unusual in the United States, where the two policies are generally considered to be correlate parts of a “progressive” package deal. But Denmark, according to the Heritage Foundation and *Wall Street Journal*’s Index of Economic Freedom (2010), has the world’s ninth freest (most capitalist) economy, even though government spending consumes more than 50 percent of gross domestic product—and much of that goes to welfare. A few years ago, the Cato Institute’s vice president for research, Brink Lindsey (2006), used the term *libertarianism* to propose that the United States adopt a somewhat similar mix of economic deregulation and welfarism.

## Subdividing the Third Way

Given a system that combines nominally private ownership with government control, what else might be said about these third-way systems that might influence our conceptualization? The question that has drawn the greatest attention is: If government controls business, who controls government? A related but not identical question might be: If government controls business, on whose behalf does it do so? We typically suppose that whatever group controls government naturally exercises its control on behalf of its own interests, but that assumption has been disputed, from the time of

Plato's *Republic* to today's "public-interest" theory. And both of these questions may be complicated further by asking the follow-up questions: If government controls business, who controls government—in theory and in fact? If government controls business, on whose behalf does it control business—in theory and in fact?

The most direct analysis would say that elected and appointed officials are controlled largely by themselves and act for their own interests. This view seems to be what the public-choice theorists presume. Public officials use the government's control of the economy to extract tangible and intangible rewards from various sectors—business, labor, professionals, nonprofits—and in return they bestow favors on their friends in those sectors. But it is public officials who are the patrons and economic actors who are the clients controlled by them. If this patron-client relationship is crudely remunerative, it is often called "kleptocracy" (Friedman 2000, 142). If the rewards reaped by public officials are less tangible (bureaucratic power, say) and if their actions are believed to be justified by the national interest, a less-pejorative term such as *administrative state* (Galambos and Pratt 1988, xi) might be applied. That is, officials of the state stand above all economic actors and, acting in the role of administrator, manage the latter's behavior as they think best for the country. Mises uses the term *bureaucratism* ([1944] 1969, 7), calling attention to the political institution that is required to administer the economy in this way. Ian Bremmer, stressing the nominally private ownership of productive property, said that such a system is one type of "state capitalism" (2009, 44).<sup>5</sup> In its most extreme form, a system that public officials administer "for the national good," as they see it, might be described by the terms *fascism* (Binswanger 1986, 163), *neofascism* (Rothbard [1965] 2000, 43), or *economic fascism* (DiLorenzo 1994, 289). Charlotte Twilight uses the term *participatory fascism* to refer to America's "due process" variant of this system (1975, 279), and Jonah Goldberg, borrowing from H. G. Wells, uses the term *liberal fascism* (2007, 21) to describe the progressive version.

Mises, logically enough, insists that if the government administrators' directives amount to total control—so that the private ownership of property is wholly nominal—then we are back to a system of socialism:

There are two patterns for the realization of socialism. The first pattern (we may call it the Lenin or the Russian pattern) is purely bureaucratic. All plants, shops, and farms are formally nationalized. . . . The second pattern (we may call it the Hindenburg or German pattern) nominally and seemingly preserves private ownership of the means of production and keeps the appearance of ordinary markets, prices, wages, and interest rates. There are, however, no longer entrepreneurs, but only shop managers (*Betriebsführer* in the terminology of Nazi legislation). These shop managers are seemingly

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5. More precisely, Bremmer considers "state capitalism" to be a system that combines a strong administrative state with a large degree of "commanding heights" socialism.

instrumental in the conduct of the enterprises entrusted to them. . . . But in all their activities they are bound to obey unconditionally the orders issued by the government’s supreme office of production management. (1966, 717)

The point here is not the historical accuracy of Mises’s description of the Nazi economy, but his theoretical point: absolutely thoroughgoing control is indistinguishable from ownership, which is precisely the conclusion that the U.S. Supreme Court arrived at in *Lucas v. South Carolina Coastal Council*. Total control amounts to a taking.<sup>6</sup>

A second interpretation of the third way holds that public officials actually do regulate the economy according to the general population’s wishes, not according to some self-determined national interest. On the one hand, if the public officials are delegates or representatives of the voters, the system can be called an “economic democracy” (Lavoie 1985a, 97) or an “affirmative democratic state” (Schlesinger 2000, 517), with its political philosophy being “progressivism” (Kolko 1976, 15). On the other hand, if public officials act paternalistically on behalf of the general populace’s wishes, this system is akin to the “the public interest state” (Reich 1964, 771) and perhaps to the “liberal state” (Weinstein 1968, ix).

According to a slightly different view, the government regulates the economy on behalf of the public, but this public is understood as comprising discrete blocs of voting and lobbying citizens rather than a single body called “the people.” Adopting this perspective, John Kelley speaks of “interest group liberalism” and “the broker state” (1997, 5, 28; cf. Rothbard [1965] 2000, 43). Mises calls it “corporativism” (1966, 816), invoking a comparison to the guildlike structures of the Italian fascist economy. Likewise, Howard Wiarda speaks of “neo-corporatism” (1997, 15–22). Rothbard speaks of both “American state corporatism” (1972, 111) and “liberal corporatism” (1965 [2000], 43), the latter distinguishing the American system from the much more oppressive Italian corporatism. Robert Higgs (2006) has used the term *quasi-corporatism* to denote the partial and fragmented “creeping corporatism” of the United States in the twentieth and twenty-first centuries.

A variant of this corporatist interpretation holds that government regulates the economy for the general well-being of the populace but does so specifically and directly by helping business to prosper. That idea underlay Herbert Hoover’s “associative state” (Hawley 1974, 118) and “industrial policy” in the 1980s (Wade 2004, 136). Don Lavoie calls it a “national foresight capacity” (1985a, 1). Libertarians have sometimes referred to this arrangement as the “corporate welfare state” (Lipinski 2007, 1) and have used the term *neomercantilism* to draw an analogy to the efforts of earlier states that sought to prosper by assisting business (Rothbard [1965] 2000, 43). Using another historical analogy, one might also speak of a “Hamiltonian-nationalist state” (Marshall 1979, 271).

6. Note the reverse process: as private control became ever more total—and public ownership became ever more nominal—a process of “creeping capitalism” subverted feudalism, so that today virtually all “private property” in common-law countries is actually property held in fee simple.

Perhaps the next logical step is a suspicion that such a business-supportive government is actually being run by business in its own interests. Thus, the title of George Monbiot's book (2000) refers to the "captive state," with the captor's name spelled out in the subtitle (*The Corporate Takeover of Britain*). At its mildest, this theory merely asserts that corporate lobbying is much, much more effective than any other group's lobbying. So a *New York Times* editorial is titled "The Lobbying-Industrial Complex" (2005).

Other authors, however, describe the system as entirely business run, although the underlying term for such a system varies. In some case, it is called "liberalism." Here, the term *liberalism* is being used in the U.S. sense, denoting the post-New Deal, third-way, political-economic system. Although most American historians have understood that system as existing to curb business, some analysts see the post-New Deal government as acting at the behest of business. Thus, James Weinstein refers to the current U.S. political-economic system as "corporate liberalism" (1968, xiv), and Arthur Link and Richard McCormick speak of the "corporate liberal state" (1983, 43). Amory Lovins, however, replaces the term *liberalism* with *statism* to get "corporate statism" (1976, 92).

Gabriel Kolko refers to the same business-controlled statism as "liberal corporate capitalism" (1969, 85). This description is extremely confusing for our framework, in which "capitalism" and "statism" are opposites, but New Left authors such as Kolko have ideological reasons for describing any political-economic system dominated by businessmen as "capitalism," whether it is similar or antithetical to the ideal type of laissez-faire capitalism. Thus, Martin Sklar speaks of the same system as "the corporate-administered stage of capitalism" (1992, 24), "corporate capitalism" (1988, 1), and the "corporate capitalist order" (1992, 35). Likewise, William Appleman Williams speaks of "corporation capitalism" and the "corporation political economy" (1961, 343, 372). In each instance, the terms *capitalism* and *capitalist* might better be replaced by *statism* and *statist*.

One version of this corporate-capture theory specifically names the very largest firms and wealthiest individuals as our masters. Thus, the Marxists Paul Baran and Paul Sweezy refer to the "American oligarchy" and "monopoly capitalism" (1966, 186, 207, chap. 8), and the libertarian Joseph Stromberg speaks of "American monopoly statism" ([1973] 2006, 205).

Last, along somewhat similar lines, William Graham Sumner speaks of "plutocracy" (1913, 293), which is especially interesting for its rejection of the notion that business "controls" government. The term *plutocracy* suggests instead that the very wealthiest citizens form *both* the economic elite *and* the political elite. As a result, business has no need to "control" government, either openly or conspiratorially, because the individuals who direct both realms come from the same class and have the same interests. That condition, of course, is the sociological premise that Kolko has insisted on throughout his writings and the premise that underlies what he calls "political capitalism" (1963, 3).

## Conclusion

A fourfold political-economic classification system emerges from the dimensions of property ownership (private versus public) and control (private versus public). Capitalism is the system in which ownership and control are largely private, socialism the system in which they are largely public. The system that emerged in most Western states beginning in the late nineteenth century was one in which the ownership of the means of production was nominally private, but their control was increasingly in the hands of public officials. Feudalism, when added to this three-way taxonomy, appears as a fourth arrangement, in which the means of production are nominally public, but the actual use of productive property is largely private.

The most neutral description for the system of nominally private ownership and public control is “the third way” between capitalism and socialism. Many authors, however, have proffered far more descriptive names based on their ideological beliefs about the nature and workings of “third-way” systems. Those who believe in laissez-faire capitalism tend to coin terms stressing the negative effects resulting from the public control of productive property, for example, *the hampered market* and *neofascism*. Those who reject capitalism occasionally employ terms that connote the benefits of regulation, such as *the positive state* and *the affirmative democratic state*. Yet others, believing that third-way systems are typically captured by commercial interests who exploit them for their own gain, coin terms that emphasize a negative reading of that situation, such as *corporate statism* and *corporate liberalism*.

Among postmodernists, getting one’s terms publicly adopted is not merely an aspect of ideology, but the very essence of ideological warfare. All the more reason, then, for traditional scholars to understand what premises they may tacitly be accepting by using one of the numerous words that have been coined to denominate “the middle way.”

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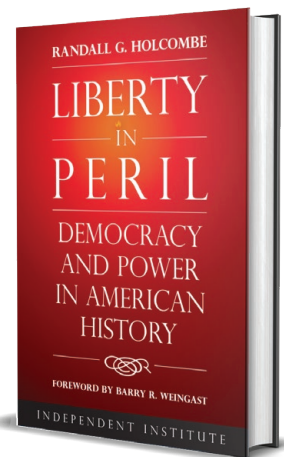
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