

ESSAYS  
ON  
THE STATE AND  
GOVERNMENT

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ESSAYS ON THE STATE AND GOVERNMENT

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July 2018

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## I.

# THE STATE AND ITS MINIONS

The State is generally considered as a necessity. Even many of those who believe that the State is an evil, consider it is a necessary evil. The State is indispensable, they say, only anarchist would dispute this fact.

Economic theory holds that the State is the provider of public and social goods. The public believes that the State is that organization by which we protect ourselves from ourselves. By subsidizing the supply of certain goods such as education and healthcare the State helps us to consume more of these benefits than we would do individually and with some harmful goods (the 'bads'), the State protects us against the damage that we would inflict upon ourselves if there were easy access to these products. There is a broad consensus that the State is necessary to provide things such as the roads, schools, hospitals, and care for our domestic and external security. Yet to be governed means more than just obtaining the supply of the so-called 'public goods', as Pierre-Joseph Proudhon indicts:

*“To be GOVERNED is to be watched, inspected, spied upon, directed, law-driven, numbered, regulated, enrolled, indoctrinated, preached at, controlled, checked, estimated, valued, censured, commanded, by creatures who have neither the right nor the wisdom nor the virtue to do so. To be GOVERNED is to be at every operation, at every transaction noted, registered, counted, taxed, stamped, measured, numbered, assessed, licensed, authorized, admonished, prevented, forbidden, reformed, corrected, punished. It is, under pretext of public utility, and in the name of the general interest, to be place under contribution, drilled, fleeced, exploited, monopolized, extorted from, squeezed, hoaxed, robbed; then, at the slightest resistance, the first word of complaint, to be repressed, fined, vilified, harassed, hunted down, abused, clubbed, disarmed, bound, choked, imprisoned,*

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*judged, condemned, shot, deported, sacrificed, sold, betrayed; and to crown all, mocked, ridiculed, derided, outraged, dishonored. That is government; that is its justice; that is its morality."*

(Pierre-Joseph Proudhon: *Idée Générale de la Révolution au XIXe Siècle* (1851)- [General Idea of the Revolution in the Nineteenth Century](#)).

More than 150 years late, things have not changed much. In a democracy, the State has not diminished its role but has grown into horrific dimensions as Hans-Hermann Hoppe describes in his "[A Short History Of Man](#)":

*"Every detail of private life, property, trade, and contract is regulated...In the name of social, public, or national security, democratic caretakers "protect" us from global warming and cooling, the extinction of animals and plants and the depletion of natural resources, from husbands and wives, parents and employers, poverty, disease, disaster, ignorance, prejudice, racism, sexism, homophobia and countless other public "enemies" and "dangers. Yet the only task government was ever supposed to assume—of protecting our life and property—it does not perform. To the contrary, the higher the state expenditures on social, public, and national security have risen, the more private property rights have been eroded, the more property has been expropriated, confiscated, destroyed, and depreciated, and the more have people been deprived of the very foundation of all protection: of personal independence, economic strength, and private wealth. The more paper laws have been produced, the more legal uncertainty and moral hazard has been created, and lawlessness has displaced law and order. And while we have become ever more dependent, helpless, impoverished, threatened and insecure, the ruling elite of politicians and plutocrats has become increasingly richer, more corrupt, dangerously armed, and arrogant."*

In a democracy, 'we' now are the State ourselves. The State is no longer separated from society, from the family, and from the local community but is in us, the people. "We are the State", the mob exclaims, fired up by the encouragements of the State's own band of cheerleaders. In a democracy, the State is not only necessary, it is we, our own identity.

A deeper analysis, however, reveals, that most of these popular claims are false. The State is not sacred. The State as the people is a fiction.

Along with Franz Oppenheimer in "The State" (1908), Murray Rothbard in his "[The Anatomy of the State](#)" (originally published in "Egalitarianism as a Revolt Against Nature and Other Essays" 1974) have thoroughly exploded the common justifications of the State.

As Rothbard points out in his essay, the identification of the people with the State leads to serious errors. Taking the State for the people provides the bases to claim

that if “the government has incurred a huge public debt which must be paid by taxing one group for the benefit of another, this reality of burden is obscured by saying ‘we owe it to ourselves’, if the government conscripts a man, or throws him into jail for dissident opinion, he is ‘doing it to himself’, and, therefore, nothing untoward has occurred.”

Also, in a democracy, the State is not ‘we’, the government is not ‘us’. In a democracy, the “government does not in any accurate sense ‘represent’ the people”.

What then, is the State, asks, Rothbard, if the State is not a family or an organ of which we are all part, and his answer is that “the State is that organization in the society which attempts to maintain a monopoly of the use of force and violence in a given territorial area; in particular, it is the only organization in a society that obtains its revenue not by voluntary contribution or payment of services and by the peaceful and voluntary sale of these goods and services to others, the State obtains its revenue by the use of compulsion, that is, by the use and the threat of the jailhouse and the bayonet.”

In the footsteps of Joseph Schumpeter (*Capitalism, Socialism, and Democracy*, 1942), Rothbard extends the definition of the State by Max Weber as the “human community that (successfully) claims the monopoly of the legitimate use of physical force within a given territory” (in “Politik als Beruf” 1918) by the aspect that the State lives on a revenue which is produced in the private sphere for private purposes and must be taken away by political force.

Man is born into this world naked and helpless and of total dependence on care. It takes years for a human being to develop reasoning and to acquire the skills for production. Social association is a necessity in the early life and a requirement when grown up because the social cooperation within the network of the division of labor enhances the individual productivity. The exchange of goods is natural to man. When people exchange goods, they exchange property. Therefore, property rights and the free market exchange form a vital part of human nature.

As Franz Oppenheimer elaborates in ‘[Der Staat](#)’ (1908), there are only two means of wealth accumulation: either through the economic mean or by political means. The political means are in the hands of the State. The State is the instrument to plunder the wealth of the private sector. The political instrument to acquire wealth is opposed to the economic way. While the economic method is natural and beneficial to all, the political way is unnatural and detrimental to the general prosperity. By means of the State, a few live at the cost of all. The basis of the political means is not a voluntary exchange but coercion. Not by a social contract comes the State into existence but with conquest and submission.

The State begins with conquest and has gone through a series of stages till our present days. As Oppenheimer recounts human history, the conquering tribe submits the conquered tribe in order to plunder. Yet instead of complete exploitation

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and elimination, the conquerors opt for a peaceful arrangement with the conquered. The conquerors unite with the conquered under the umbrella of a common State as a nation.

From the stateless society of the huntsmen and gatherers and the nomads and warriors, the State comes into existence with conquest and annihilation. Over time, the conquerors learn to exploit the conquered and use slavery and other forms of bondage instead of annihilation. Instead of getting the honey like a bear, the State acts like a beekeeper. From there emerges the territorial union of conquerors and conquered when the ruling class acts mainly as judicial supervisors and arbitrators for the conquered does finally merge with the people as a nation State. This stage prepares the path for the stateless society of the future, Oppenheimer predicts.

### **Historical Development Stages of the State** (based on The State by Franz Oppenheimer)

<b>PREHISTORIC STATELESS SOCIETY</b>	
<b>STATELESS SOCIETY I</b>	Huntsmen and gatherers
<b>STATELESS SOCIETY II</b>	Herdsmen and Vikings
<b>STATELESS SOCIETY III</b>	Nomads and warriors
<b>STATE</b>	
<b>STAGE I</b>	Conquest and annihilation of the conquered
<b>STAGE II</b>	Conquest and submission of the conquered
<b>STAGE III</b>	Capitalization and tribute extraction
<b>STAGE IV</b>	Territorial union
<b>STAGE V</b>	Rule by arbitration and courts
<b>STAGE VI</b>	Nation building
<b>POST-HISTORIC STATELESS SOCIETY</b>	
<b>SELF-GOVERNING SOCIETY</b>	Private law society
<b>FREEMEN'S CITIZENSHIP</b>	Demise of the state
<b>ANARCHO-CAPITALISM</b>	Economic exchange society

Economic development brings with it that the political means must recede against the economical means. Oppenheimer recognizes that in the political history of humankind there has been a steady ascent of the economic method at the cost of the political scheme. Writing at the beginning of the 20th century, Oppenheimer predicts that the thousands of years of State rule are coming to an end: "The 'state' of the future will be a 'society' guided by self-government", he declares.

So why is the State as an oppressive institution still here with us?

Why do we still have a State, asks Murray Rothbard, when the coercive and exploitive political means run against natural law? The political way is not productive but parasitic, “instead of adding to production, it subtracts from it”. Parasitism is the nature of the State, also in its ‘democratic’ form. The State sucks wealth from the productive sector, it diminished the incentives to produce. The State makes us poor.

In the extension of the definitional approaches by Max Weber, Joseph Schumpeter, and Franz Oppenheimer, Murray Rothbard defines the State as “the systematization of the predatory process over a given territory”. While private crime is sporadic and individual parasitism is ephemeral, and can be rejected by the victims, the State “provides a legal, orderly, systematic channel for the predation of private property; it renders certain, secure, and relatively ‘peaceful’ the lifeline of the parasitic caste in society”.

As production comes before consumption, the provision of goods must precede their predation. The State cannot come into existence before the economy. Without the existence of an economy, there can be no ‘social contract’. Without a productive basis, the social contract is a myth.

The State still exists. It has at its side the state apparatus and its officialdom. These, however, would not be enough if they were not expanded through State propaganda. Force is the *modus operandi* of the State but ideology provides the State’s coherence. Even more so than in earlier times, governments need the consent of the ruled. As the welfare state approaches its economic limit, it becomes more difficult, to use the redistribution as the political means to gain mass loyalty. The group of people that receives net benefits from the State must be a minority. In order to gain the support of the majority, people must be persuaded by an ideology that government is necessary and inevitable, that it is benevolent and beneficial to all. In his “*Anatomy of the State*”, Murray Rothbard identifies the modern intellectuals as the carriers of this task. The intellectuals as the opinion-makers serve as ideological bodyguards of the modern State.

The State and the intellectuals need one another. The State intellectuals are the priestly class of our days. The free market does not sustain many intellectuals. In order to gain a livelihood, they need the funding of the State. A historical alliance exists between the State and its intellectuals. Along with the officialdom, the intellectuals are the other leg how the State maintains its existence as a machinery of exploitation. Along with these allies, the modern secular State has also secured ‘science’ as its affiliate. While the priesthood decorated the State as holy, science deifies the State as the ultimate ratio. The bodyguards of the modern State are the host of experts that find ample employment in ministries, agencies, commissions, the universities, and at the plethora of national and international institutions.

Rothbard (1974) reveals that the “increasing use of scientific jargon has permitted the State’s intellectuals to weave obscurantist apologia for State rule that would have only met with derision by the populace of a simpler age.” These experts teach that the robbery by the State helps its victims, that the economy needs politics for its stabilization, and that employment and economic progress is the achievement of government. Under the mantle of science, the State has expanded like never before. It is now ‘science’ that serves as the apparatus of propaganda to promote the agenda for the expansion of the modern State. Exploitation has become so subtle that hardly anyone notices it anymore

The State protects itself and promotes its power by fear. If one foreign enemy is defeated, the next one is already chosen. Domestic enemies abound not only in a regime like Stalin’s Soviet Union but also in the modern ‘democracy’. The modern State itself is clad in the cloth of nationhood. The nation now serves as the source of passion, blind obedience, and the rationale of exclusion and condemnation of those individuals who will not succumb. The democratic State needs the nation because it is supposed to represent not the absolute king but the absolutism of the people.

As Hans-Hermann Hoppe ([A Short History of Men](#), 2015) points out: “Under democracy the distinction between the rulers and ruled becomes blurred. The illusion even arises that the distinction no longer exists”. Democracy transforms the limited wars of the past into the modern total wars where the enemy must be debased and dehumanized in favor of the glory of one’s own nation.

The competition of political parties over votes is fundamentally different from competition in a market economy. In a market competition, producer compete as to the sale of their products against payment. In a democracy, politicians compete over votes in an exchange of favors. The apparent benefits that voters expect to receive consist of advantages as the result of coercive redistribution.

Driven by party politics, the democratic State moves inexorably towards its own demise. State bankruptcy looms across the globe. The social-democratic era is over. The capacity of the State to bribe is coming to an end. What to do after the collapse of the modern democratic State? The answer is anarcho-capitalism and the rule of a “[Private Law Society](#)” (Hoppe). In order to accomplish this change, the pre-condition is the separation between the intellectuals and the State in the same way as the separation of the Church and the State had brought down the old State. It is up to the academics to withdraw their endorsement of the State. The intellectuals have nothing to lose but their chains. The ‘march through the institutions’ is over. For those who study now, the road to ascendancy through State service is closed.

## II.

# VOLUNTARY SERVITUDE

In his essay on the politics of obedience (*Discours de la Servitude Volontaire*), Etienne La Boétie (1530-1563) asks the central question of political rule: How come that a people, as the majority, lets itself be ruled by a small group, the minority, and sometimes, in the case of an autocrat, falls into the hands of a single person? How is it possible that people permit that to a small group of men tortures, exploits and abuses the majority? Is it not strange, wonders La Boétie, that this dictatorial ruler, as a human, is often physically weak, clownish, feminine, cowardly and of a feeble mind?

Would it not rather be natural that one would obey one's parents as a child but after one has grown-up and gained reason, one would want to be nobody's servant and not the slave of someone else? La Boétie's answer to these questions is that the cause of human servitude cannot be only coercion. No tyrant has so many eyes that he could monitor a whole nation or have so many hands that he could hit the people with so many blows. The answer is obedience. Not coercion explains tyranny but 'voluntary servitude'.

Tyranny can come through elections, by force, or by inheritance. Although the methods differ about how the rulers come into power, the method of dominance is the same. All types of rules, including tyranny, are based on voluntary submission of the people. How did this bondage come about?

One reason is, La Boétie explains, that at some point in history human beings lost their freedom either by external conquest or internal corruption. Thereafter followed one generation after the other that no longer knew about freedom and what it means. Submission had become a habit. Men fell into servitude and became complacent in their condition of captivity. Human nature fell victim to the circumstances, to custom, to upbringing. Systematic state propaganda completed this process of subjection. Over time, the traces of the knowledge of freedom get lost and what has been left is only the experience of servitude as the natural way of human existence.

The second reason for servitude is resignation and diversion. Although servitude makes people uneasy, it also makes people calm in their resignation when other concerns than freedom occupies their mind. The rulers know that and provide the diversions of bread and circus, of gluttony and playfulness. The exhilaration that comes with the diversions that the mass culture delivers extinguishes defiance and the emotional exhaustion keeps the people still in their political resignation.

The third cause of submission is the tyrant's use of religion. People like to believe in miracles and the rulers search the décor that comes with ceremonies that celebrate divinity and holiness. The rulers create a web of taboos and sanctuaries. In tandem with the church service, there is the State service. This way, disobedience of the State becomes a sin, rebellion becomes an act of blasphemy, and tyrannicide becomes decide.

As the fourth reason of voluntary servitude counts the role of a special class of persons who stand between the ruler and the people. These are the public employees, the state-financed intellectuals, and the rich who profit from the State. These people accept the bribe of the tyrant because they do not know better or because they esteem the benefits that they receive higher than their freedom and righteousness.

In a monarchy, as it was the case at the time when La Boétie lived, the courtiers and the nobility represented this group of the privileged. In the eyes of La Boétie, these persons are deplorable. These are people who have been abandoned by God and humanity, who humiliate themselves before the king and do not oppose the debasing treatment that they receive from their master. While the rest of the population obeys because it must do what told, those who form part of the entourage of the king or of the tyrant "have to think what the king wants them to think". These flatterers must anticipate the wishes of the autocrat and must please him. For them, to obey is not enough, they must adulate the tyrann. "Serving him destroys them, yet they are expected to share his joy, to abandon their tastes for his, to change their nature and constitution". The common people owe only a part of their existence to the tyrant, the sycophants all that they are and what they have.

Tyranny makes everybody suffer, including the tyrant himself. The autocrat can neither give nor receive love. He must not maintain friendship. He is surrounded by cruelty, dishonesty, and injustice.

What to do against this tragedy? How can mankind overcome submission? How can we get out of this scam and leave behind this calamity where everybody must suffer, including the tyrant himself? Let's forget the scholarly, convoluted answers, says La Boétie. The answer is plain. What needs to be done to avoid and to get rid of tyranny is the will and the desire of the individuals to remain free and to get free.

The gift of freedom is humankind's natural possession. It does not require justification or elaboration. All it takes is to reclaim one's freedom. Liberty is not a

right but a choice. If it were a right, it could be taken away the same way that it was given. Yet freedom is not a right but a part of human nature. It belongs naturally to the human being. In his youthful optimism, Etienne exclaims: “Be determined to no longer be servants and you will be free.” No other feat is required than just stop supporting the tyranny. Remove your support, and the colossus loses its stand and will tumble.

The pursuit of anarchy must not come by fire and rage. The tyrant needs not to be toppled from his throne by another man who becomes the new oppressor after his victory against the old. Throughout history, the consequence of the violent assault against tyranny has been that the leaders of the insurrection emptied the throne only to occupy it themselves. Conspiracies to do away with tyrants, tend to backfire and make matters worse. Insurgence is not the path to freedom.

It is not necessary to confront the tyrant. What needs to be done is removing the foundation of tyranny. Tyranny does not rest on force but on submission. To get rid of tyranny, people must stop their voluntary servitude. It is not the tyrant who puts himself into his position and stays in it but the people who submit to him. It is the people who feed the monster. People must stop to offer sacrifices, devotion, and idolatry, and the tyrant will fall on his own.

In order to end the tyranny of the State, people must stop accepting servitude. They need not take anything away from the tyrant, what they must do is stop yielding. To get out of tyranny, human beings do not need to change the essence of their nature. All one must do is to shed off what hinders individual advancement. When the tyrant does no longer receive obedience and people do no longer obey his orders, the ruler stands naked, without any power and is disarmed of the instruments of his dominance.

Without the support of the people, the tyrant is nothing. He shares the fate of a root that is left without water and nourishment: it turns into a dry, dead piece of wood: “Resolve to serve no more, and you are at once freed. I do not ask that you place your hands upon the tyrant to topple him over, but simply that you support him no longer, then you will behold him, like a great Colossus whose pedestal has been pulled away, fall of his own weight and break to pieces,” says La Boétie. Learn anarchy, one may add.

Two centuries after La Boétie, in 1841, David Hume (“Of the First Principles of Government”) put forth the same principle of servitude by consent with clarity and distinction:

*“Nothing appears more surprising to those who consider human affairs with a philosophical eye, than the easiness with which the many are governed by the few; and the implicit submission, with which men resign their own sentiments and passions to those of their rulers. When we enquire by what means this wonder is effected, we shall find, that, as Force is always on the side of the governed, the governors have nothing to support them but opinion.*

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*It is therefore, on opinion only that government is founded, and this maxim extends to the most despotic and military governments, as well as to the most free and most popular.”*

The story does not end here. While submission and voluntary servitude has been the rule, there will always be a few who feel the yoke of bondage and who will try to shake it off. Such people never will disappear completely from this earth, La Boétie claims: “Even if liberty had entirely perished from the earth, such men would invent it.” The desire for freedom cannot be extinguished. Some extraordinary will always rekindle the light of freedom. Although they do not know freedom as a reality, they can imagine it and feel the spirit of liberty. These men, although robbed of their freedom, know that it does exist. Isolated from each other, each of them is lost in his own spiritual world, yet when they get the means to communicate with one another, the end of tyranny has come.

### III.

## AGE OF THE INDIVIDUAL

The foremost exponent of the philosophy of anarcho-individualism is Max Stirner (1806-1856). In his "[Der Einzige und sein Eigentum](#)" (Leipzig 1844/45) - "[The unique one and his property](#)", he claims that to come to oneself, one must get rid of the host of detrimental external influences that subdue and dissolve the essence of being one as oneself.

It is an obvious lie that man is born free. From birth to death, man forms part not only of society but of a specific society in time and space. For the anarcho-individualist, the human task is not to change society and exchange one power regime for the other. What matters is to liberate oneself from the society, to become oneself as much as one can. Egoism is not anti-social. By pursuing the path of egoism, one contributes - without intent - to a better society. Acting as a rational egoist promotes a better society. The best society is a stateless society composed of rational egoists.

[Max Stirner](#) diagnoses that the turn from the 18<sup>th</sup> to the 19<sup>th</sup> century marks the beginning of the "political epoch". The rupture came with the French Revolution. The State became the new God. People turned insane in their desires to serve this earthly God; the State cult became the new religion. Serving the State became the highest ideal of all and serving the State the highest honor of all.

Yet the State does not care about the individual, about what is me and what is mine. The State only cares about itself. The individual is nothing to the State; he is random to the State. For the State, the individual is nothing but a contingency. The point is that the State cannot understand the individual because the individual transcends the comprehension of the State. The concepts of the State, the understanding of the State, is too limited to comprehend an individual. Because the State cannot comprehend the individual, the State can do nothing for a man's

individuality. The right attitude of the individual to the world is that he will do nothing because of God or because of humanity, but only because of himself.

The death of the old State and the abolition and containment of the monarchy did not liberate the individual. The democratic revolutions provoked the birth of politics and the worship of the State. The idea of the State entered the hearts of the people and aroused a new kind of enthusiasm: the national delirium. Serving the State as the new worldly God became a worship and the new cult. With the victory of classical liberalism, the epoch of the political began. To serve the State and its mystification as the nation became the supreme ideal, the interest of the State became the greatest interest and the civil service (even without being a civil servant) became the highest honor.

This historic fall marks the origin of the horrors of the modern world.

The protagonist of this new world is the politician and the political parties. A politician is a person whose aim is to alterate the people and the world by means of the State. Domination is the aim of the politician and the State apparatus is the instrument. The bigger and more effective the State, the better the State serves as a tool of suppression and control. The force of the State is universal to the politician - only comparable to God's power. The desire of the politician is the omnipotent State no less than the almightiness of the holy Lord.

Yet in doing so and take the State as his tool, the politician suffers from a great illusion. The State is neither the most comprehensive nor the most effective instrument of control of the individual although the government apparatus is the most visible machine of dominance. Furthermore, in as much as the politician wants to dominate and rule, he himself is under the authority of his own political party. Therefore, being a politician means being unfree. As a member of a political party, the politician must adopt the credo of the party, he must follow the rules of the party and he has to adhere to the party's principles. The truth is that the political party owns the politician. The people know that the politician is a fake because while he pretends to set the rules and to be the master, he himself is the system's deplorable victim.

Politicians do and cannot represent the individual. They have the State in their heads and in their hearts. Politicians do not believe in the individual, they believe in the State. Politicians are possessed by the State, they are "State-believers" and therefore politicians are the enemies of the individual. The politicians evoke the "common good" as their goal. Yet the idea of a "common good" is an illusion. "The common good is not my good", writes Stirner, "The common good cheers, while I suffer- the State shines, while I languish."

Liberalism did not unfetter the individual. "Liberalism" is the application of rational insight to our issues, and thus the aim of liberalism is a "rational order", a "moral conduct", and a "limited liberty". Liberalism opposes anarchy, lawlessness, proper individuality, and in as much as rationality rules, the individual person

becomes a subject. Under liberalism, the individual is not his own master. Reason should prevail, says liberalism, also at the cost of the individual and to the detriment of the peculiarities of a person's personality. Instead of an era of freedom, the victory of classical liberalism marks the beginning of the 'epoch of the political'.

Individualist anarchism is the way to overcome the horrors of the modern State. Anarcho-individualism comes into existence as the association of rational egoists. Egoism is different from egotism or brutish selfishness. Rational egoism is not hedonism. The rational egoist is prudent, his mind is balanced. He abhors the immediate gratification that comes with passion and pleasure. The rational egoist is not egotistical and not anti-social. Society as an association of rational egoists requires no ruler. The commercial society exists as voluntary exchange relations. The rational egoist does neither need nor want a ruler. In the same way, as he rejects government, the rational egoist rejects the other rulers that may dominate him such as the greed for money, power, and fame.

Not the individual egoist is egotistical, but the truly egotistical entities are the collectives, such as the nation, the family, the church, and the State. While the egoism of the individual is natural, the egotism of these collectives is artificial. While the egoism of the individual is restrained, the egotism of the collectives is limitless. Collectives may claim altruism, yet their genuine identity is the application of moral terrorism as the way to maintain themselves. While a rational egoist may voluntarily act altruistically under specific circumstances as it serves his wants, a collective, in contrast, will apply moral pressures to force its members to give up their own interests in favor the so-called common good of the collective. Collectives are brutal egotistical entities, and the coldest, harshest, most brutal of all collectives is the State. The State is that peculiar institution, which systematically combines moral terror with physical force.

There is a permanent conflict between the individual and the collective. The individual and the collective are natural enemies. The individual is a coincidence of the collective. The collective looks only after itself while the individual must take care of his own. The individual's interest is in himself, yet the collective wants all for itself and nothing for the individual. The collective demands self-denial and wants to keep the individual as its subject. Yet the individual wants himself and nothing else than himself.

The power of the collective is the powerlessness of the individual. The humility of the individual is the sovereignty of the collective. The collective rules through the resignation of the individuals. The dependency of the individual provides the courage of the collective to demand the submissiveness of the individual under the authority of the collective. Everything that one, as an individual, can be, one does become not through the collective but against the collective.

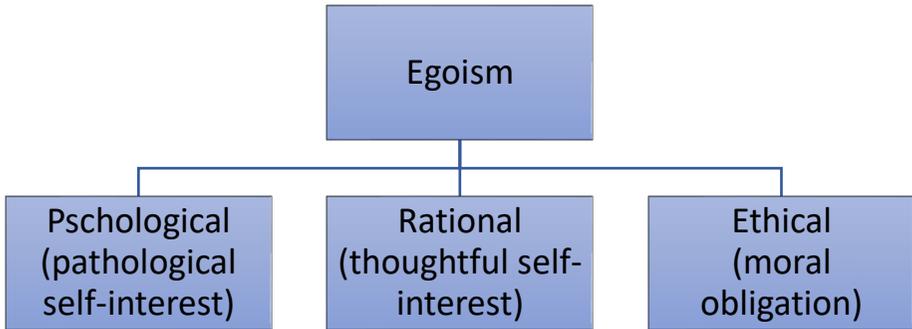
Collectives exert moral oppression. Their tools are the false gods of duty, pride, and sacrifice. Yet different from the association of rational egoists, the collective does not give compensation. The pattern of exchange in the collective is not reciprocity but extraction. Of all collectivist entities, the most horrific is the State. The State is the most suppressive and the most dangerous collective and therefore the greatest enemy of the individual because the State is the collective with the most comprehensive access to the application of violence. The modern State is the greatest propagator of modern wretchedness. The modern alienation is not the result of the division of labor but results from the individual's submission under the all-encompassing power of the State.

The State is the great trickster of the modern era. The politicians promise justice, freedom, and equality and in return demand all the power for themselves in the form of getting hold of the State power. By promising all, the State then takes all and makes the individual powerless. For the State, the claim to legality is the claim to violence. Law is created by State power yet a right that is bestowed is not a right and a type of freedom that is not achieved by oneself is not freedom. Justice is an instrument of tyranny and social justice is the tool of absolute tyranny. Equality is the biggest of all State lies. The desire for equality is already fraudulent, claims Max Stirner.

The way out of the captivity under the modern State is the free association of egoists beyond the State. However, under the present system of a comprehensive State, one cannot expect that many people will find their way to themselves. Most people will only become aware of their individuality when the collectivist bondage has ended and when the State is gone.

There will be not freedom as long as there exist a State. Doing away with the State is the great challenge of our time. In a dialectical turn of Hegelian dimension, the abolishment of the State is a political act. Ending the State may be the last and the greatest collective feat, the last and the greatest achievement of politics and it may be the true historical mission of political parties.

**Typology of Egoism**



## IV.

# WHAT IS ANARCHISM?

### Timeline of a concept

*"Gentlemen, the time is coming when there will be two great classes, Socialists, and Anarchists. The Anarchists want the government to be nothing, and the Socialists want government to be everything."*

William Graham Sumner

When we go beyond the mere explication of the concept 'anarchism' as one of Greek origin composed of 'an' (against) and 'arkhos' (leader), things get somewhat confused because 'anarchism' is also a political term, and as all political terms it is a polemical concept. In the sense of 'absence of government', the term emerged in France in the 1530s as '*anarchie*' and from the 1660s onwards, it was used as a general expression for the absence of authority and of a state of confusion. With the emergence of philosophers who called themselves explicitly 'anarchist', the term gained its modern meaning in the first half of the 19<sup>th</sup> century as 'order without power', 'stateless society', and 'direct government'.

Some historians of anarchism will trace back the roots of anarchism to Laozi, the ancient Greeks and the Stoics, while others will locate the origin of anarchism in the decades following the French Revolution. As a concept, too, 'anarchism' is many-layered. Much more than a specific term, anarchism is a generic concept which encompasses a wide range of meanings and many contradictions.

Whatever is the purpose of a classification, a necessary distinction must be made between 'political' and 'philosophical' anarchism. There is little that these two have in common and it may even appear doubtful whether the 'political anarchists' may have a legitimate claim on the title of 'anarchist'. After all, 'political anarchism' means being involved in political action ranging from public agitation to participate in wars (as it happened in the Spanish civil war with the syndicalist anarchists). The representatives of political anarchism such as Pierre-Joseph Proudhon (1809-1865), Mikhail Bakunin (1814-1876), and Peter Kropotkin (1842-1921) took an active part in the political fights of their days and were not less belligerent than their Communist soulmates.

Something else puts the political anarchist also close to their Communist brethren: their demand for economic equality. In this respect, the 'political anarchists' commit the same error as the Communists because they ignore that inequality lies in the nature of man and efforts of making something equal which is naturally unequal requires force and therefore is profoundly anti-anarchistic. More so, by participating in the political battles, the political anarchists betray the anarchist principle of opposing politics. What else is politics than the fight about gaining control of the State apparatus?

Sadly enough, the most widely distributed books about anarchism, such as, for example, Colin Ward's "Anarchism", which appeared in the Oxford series of "very short introductions" (Colin Ward: [Anarchism. A Very Short Introduction](#). Oxford University Press 2004), largely ignore the difference between political and philosophical anarchism and dedicate almost all of their considerations to political anarchism. Ward stands in the tradition of other writers about anarchism such as George Woodcock's 470-page book, [Anarchism](#) of 1962, which has enjoyed many reprints as a Penguin paperback and was translated into many languages. Likewise, Peter Marshall's treatise of more than 700 pages called [Demanding the Impossible: A History of Anarchism](#) (HarperCollins) of 1992 which enjoys a large readership, does not provide a deep analysis of the philosophical branch of anarchism.

Philosophical anarchism is different from the political anarchism not because it is passive but because it does not choose the political way of bringing about an anarchist order. The philosophical anarchists know that throughout history the forceful replacement of one ruler has only emptied the chair for the next to take the seat of power. The philosophical anarchists also know that dominance does not come from force but by the consent of the dominated. The right way to proceed, therefore, is not confrontation with the State power but removing one's support from the State. The philosophical anarchists follow the insight that it is public opinion that produces voluntary servitude and that submission makes tyranny possible. The task of the philosophical anarchist is enlightenment, not rebellion. The political anarchist's way is more like a mutiny than an uprising.

The path to a free society comes through the change of public opinion. While this way seems long, shortcuts are not an alternative because they lead nowhere and most of the time only bring setbacks in the battle for liberty. Changes of opinion happen in an exponential form. For a long time, it may seem as if there hardly is any progress. Yet as time goes by, the curve gets steeper and finally things change overnight. Philosophical anarchists face only themselves as their foe when they desist and resign.

Different from the political anarchism which emerged in the decades after the French Revolution, philosophical anarchism can be traced back to the pre-Christian era. The time-line of thinkers in this tradition is impressive. Philosophical anarchism can claim the Chinese Laozi (who died in 533 BC) as one of their earliest known representatives of an anti-authoritarian political philosophy ('In governing, don't try to control'), the Greek school of the cynics and the stoics as well as the many elements of anarchistic thinking in Buddhism and Hinduism.

Zeno of Citium, in the footsteps of Diogenes of Sinope, advocated anarchistic forms of society around 300 BC. Zeno's model of a Republic needs no State structures. In opposition to Plato (ca. 425 BC to 348/347 BC), Zeno opposed the omnipotence of the State, contra its intervention and its regimentation. He argued that man's natural sociability keeps his egoism in check.

Better known than Zeno and Diogenes are the writings of Epicurus (341 BC to 270 BC). Following the atomic materialism of Democritus, the philosophy of Epicurus opposes superstition and divine intervention. As the original thinker of what nowadays is called "epicureanism", he promoted hedonism and for that opposed participation in politics because of its connection to the lust for power and to the desire for fame.

Ancient Rome was the very anti-thesis to anarchism. The stoics Epictetus (50 to 135) and Marcus Aurelius (121-180) are the few thinkers in ancient Rome with some connection to anarchism.

We do not know which philosopher had lived in the commercial realm of Carthage and contributed to anarchist thought. In the three Punic Wars (264 BC to 146 BC), the Roman militarism wiped out Carthage with only a heap of stones left. The [Carthaginian commercial empire](#) was one of the economically highest developed communities, a fully commercial commonwealth with strong anarcho-capitalist characteristics. Maybe the Carthaginians had no libertarian or anarchist philosopher because they did not need them as they were already the practitioners of a stateless society.

In the Middle Ages, Meister Eckhart (ca. 1260 – ca. 1328) rose to prominence as a theologian and mystic. His writings had a great influence on the thinking of the communitarian anarchist Gustav Landauer (1870-1919), who in turn inspired the early Zionist kibbutz movement.

Concerning the philosophy of late Middle Ages, one must pay tribute to the great contributions of the Portuguese and Spanish scholastics, particularly the works of Francisco Suárez (1548-1617), with the promotion of concepts such as subjective utility, personal sovereignty, and the justification of tyrannicide.

In the wake of the Reformation, several anarchist movements of Christian character appeared such as Hussites, Adamites and the early Anabaptists. Known as the “Münster Rebellion”, the Anabaptists established a short-lived communal sectarian government in 1534 which was crashed down in 1535.

At the beginning of the modern age, the first great master pieces of anti-authoritarian thinking were “The Praise of Folly” (1511) by Erasmus of Rotterdam (1466-1536), followed by “Voluntary Servitude” (written around 1549, published in 1576) by Etienne La Boétie (1530-1563). Both are classics that have not lost any of their relevance.

A milestone in the development of libertarian thinking and anarcho-philosophy came with the publication of “The Grumbling Hive, or Naves Turn'd Honest” in 1705, better known under its later title as “Fable of the Bees. Private Vices, Publick Benefits” by Bernard de Mandeville (1670-1733). Without this intellectual breakthrough, this profound transformation of moral values, neither the economic theories of Adam Smith nor the philosophical ideas of David Hume would have come forth, and all of these three have motivated Immanuel Kant (1724-1804) to write his promotion of the world peace of a community of free republics with his “Toward an Eternal Peace” (1795).

A proper anarchist literature emerges with William Godwin (1756-1836) who uses the term anarchism with adroit. His “*Enquiry Concerning Political Justice and its Influence on Morals and Happiness*” of 1793 is a classic of anarchist literature. In this work, Godwin denounces the State as the institution that instead of its claim of promoting human progress, restrains the advancement of mankind.

With a grain of salt, one may add to this chronology John Stuart Mill (1805-1873), particularly his *On Liberty* (1859). It is not completely false when some authors name Mill as the founder of what nowadays in American usage is called “liberalism” and elsewhere is known as “social democracy”.

The first treatise on individualist anarchism was written by Max Stirner (1806-1856). His “*Der Einzige und sein Eigenthum*” (not quite correctly translated as ‘*The Ego and its Own*’) was published in 1844 (predated to 1845). His philosophy is a radical denouncement of all collectives that terrorize the individual as spooks in the form of abstractions, such as God, the nation, or society.

ESSAYS ON THE STATE AND GOVERNMENT

**Timeline of modern anarchism**

<b>Type</b>	<b>Representative</b>	<b>Major work(s)</b>	<b>Quote</b>
<b>Liberal Anarchism</b>	William Godwin (1756-1836)	<i>Enquiry concerning Political Justice, and its Influence on General Virtue and Happiness</i> (1793)	‘Government was intended to suppress injustice, but its effect has been to embody and perpetuate it.’
<b>Ego-Anarchism</b>	Max Stirner (1806-1856)	<i>The Ego and Its Own</i> (1844)	‘What is freedom? To have the will to be responsible for one’s self.’
<b>Mutualism</b>	Pierre-Joseph Proudhon (1809-1865)	<i>What is Property?</i> (1840)	‘Property is theft’ ‘Property is freedom’ ‘Anarchy is order’
<b>Socialist Anarchism</b>	Bakunin (1814-1876)	<i>God and the State</i>	‘Freedom without socialism is privilege and injustice, but socialism without freedom is slavery and brutality.’
<b>Anarcho-syndicalism</b>	Rudolf Rocker (1873-1958)	<i>Nationalism and Culture</i> (1937) <i>Anarcho-Syndicalism: Theory &amp; Practice</i> (1947)	‘it is the state which creates the nation, and not the nation the state.’

<b>Communist Anarchism</b>	Peter Kropotkin (1842–1921)	<i>Fields, Factories and Workshops</i> (1899)	‘All things are for all’ ‘Don’t compete!’
<b>Communal Anarchism</b>	Gustav Landauer (1870–1919)	<i>Revolution</i> (1907)	‘nothing but the rebirth of all peoples out of the spirit of regional community can bring salvation’
<b>Feminist Anarchism</b>	Emma Goldman (1869–1940)	<i>Anarchism and Other Essays</i> (1910)	‘I demand the independence of woman, her right to support herself; to live for herself; to love whomever she pleases, or as many as she pleases.’
<b>Individualist Anarchism</b>	Benjamin Tucker (1854–1939)		‘Mind your own business’ ‘Aggression, invasion, government, are interconvertible
<b>Anarcho-liberalism (libertarianism)</b>	Murray Rothbard (1826–1995)	<i>The Ethics of Liberty</i> (1982)	‘Government is a band of thieves writ large’
<b>Anarcho-capitalism</b>	Hans-Hermann Hoppe (1849– )	<i>Democracy - the God that Failed</i>	‘Democracy has nothing to do with freedom’

Individualist anarchism flourished in the 19<sup>th</sup> century in the United States in the works of such well-known figures as Ralph Waldo Emerson (1803–1882), William Graham Sumner (1840–1910), Benjamin Tucker (1854–1939) and continued to prosper in the 20<sup>th</sup> century with authors such as Murray Rothbard (1926–1995), Robert Nozick (1938–2002) and many more.

The Austrian School of Economics stands in close connection with the anarchist tradition in the United States. Many libertarian scholars are also Austrian economists such as Murray Rothbard. Austrian economics has its roots in the scholarly

contributions of Carl Menger (1840–1921), Eugen von Böhm-Bawerk (1851–1914), Ludwig von Mises (1881–1973), and Friedrich Hayek (1899–1992). This school, in turn, can trace its roots back to the school of Salamanca and the French economists such as Francois Quesnay (1694–1774), Anne Robert Jacques Turgot (1727–1781), Jean-Baptiste Say (1767–1832), and Frédéric Bastiat (1801–1850).

## Theory

*“The anarchist doctrine may be resumed in one word: liberty.”*

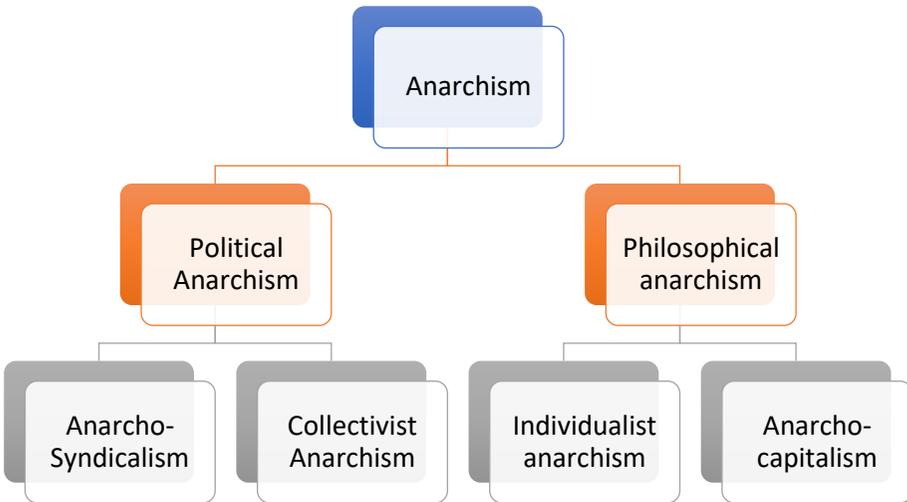
Sébastien Faure

It does not matter whether one believes in God or in natural selection as long as one sticks to the principle that both, individuality and sociability, are inherent to human nature and therefore no external force is needed for the individual to live and prosper together with other individuals in a community. Anarchism is the freedom from external control beyond that which comes from oneself. Anarchism is anti-state and anti-government, but not anti-social. Because laws are only justified when they are in harmony with human nature, no State legislation is needed. The laws that are justified by nature need no codification and all other laws are illegitimate.

Anarchism is radical individualism. The theory of anarchism rejects the reality of collectives and adheres to a strict nominalism. Collectives such as the State or the Church are real only insofar as they form part of an individual's belief system.

The common body of anarchism is the pursuit of liberty not in the State and under the State or as the State, but against State and government. Anarchists reject the ancient Roman concept of *libertas* as a republican constitution of a popular government, the Lockean concept of liberty as individual liberty protected by the State or the concept of liberty as *volonté général* by Rousseau or liberty as embodied in the rationality of statehood as in Hegel's philosophy.

### Types of Anarchism



The distinction between political and philosophical anarchism is important because it is only partially a separation between politics and theory as it is common also in other areas, such as in economics, for example. As to anarchism, the distinction refers also to the method of how to establish an anarchist society. The way for the political anarchists is political activism, the launch of political parties and the use of direct political exploits. Philosophical anarchists, in contrast, want to bring about the anarchist society through indirect means, through the change of public opinion and by incremental privatizations. The method of the political anarchist is political and confrontational; the method of the philosophical anarchists is persuasive and economic.

Anarcho-syndicalism seeks to establish an anarchist society through the mobilization of the working class. In this sense, this movement is an immediate rival of the Communists who claim to have the same 'revolutionary subject' as their vehicle. It comes as no surprise that the competition between these two groups has been fierce and combative. In the great political battles of the past century, the anarcho-syndicalists were frequently the enemy of both the Communists and the social democrats. In the trenches of the [Spanish civil war](#), the factions of the political

anarchism were as much fighting against each other as against the fascists as their common enemy.

Collectivist anarchism shares the Communist ideal of common property but is opposed to the rule of a party. The main representatives of the collectivist anarchism, such as Peter Kropotkin, were rancorous enemies of the Soviet regime as it was established under Vladimir Lenin in 1917. Collectivist anarchism made important contributions to the kibbutzim communities of the Zionist movement during the foundational period of Israel.

The main representatives of philosophical anarchism are individualist anarchism and anarcho-capitalism. The very designation as 'individualist' already prohibits for this line of thinking that one would form political parties or fight together in partisan groups. It would be wrong, however, to classify the individualist anarchist as solitary or anti-social. Not even the most radical of this line of thinking, Max Stirner, called to abandon community and social cooperation. His ideal was an 'association of egoists', where one egoism matches that of the others, and all members profit from social exchange and the division of labor.

Anarcho-capitalism is based on economics. The major difference to the other forms of anarchism is that anarcho-capitalist does promote neither common property nor equality of income and wealth. Anarcho-capitalism demands free markets as extensive and as intensive as possible based on the respect for private property. The theory of anarcho-capitalism holds that under the condition of free capitalism, differences in wealth and income will emerge only temporarily for specific producers and will be wiped-out sooner or later because of technical progress and free market entry. Furthermore, anarcho-capitalism postulates that under the conditions of free competition with low barriers to market entry and market exit, technological progress will happen more rapidly, more frequently, and rather continually so that the disruptive effect of change will be smaller than it is in a more slow-moving society where social and political interests have time to gain power positions and where habit makes people conformist.

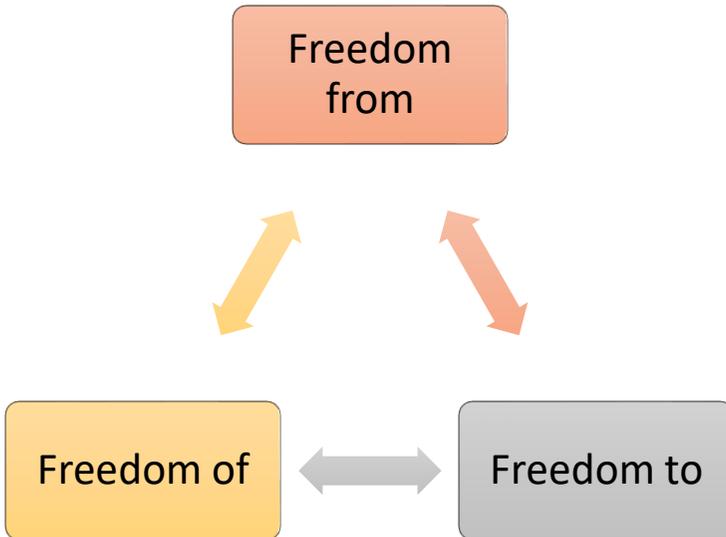
For the anarcho-capitalist, freedom and prosperity have their anchor in private property. This way, Hans-Hermann Hoppe [explains](#) the Rothbardian ethics:

*"Everyone is the proper owner of his own physical body as well as of all places and nature-given goods that he occupies and puts to use by means of his body, provided only that no one else has already occupied or used the same places and goods before him. This ownership of "originally appropriated" places and goods by a person implies his right to use and transform these places and goods in any way he sees fit, provided only that he does not change thereby uninvitedly the physical integrity of places and goods originally appropriated by another person. In particular, once a place or good has been first appropriated by, in John Locke's phrase, 'mixing one's labor' with it, ownership in such places and goods can be*

*acquired only by means of a voluntary – contractual – transfer of its property title from a previous to a later owner.”*

A problem shared by all variants of anarchism is the problem that freedom exists in a trilateral field of tension. A look at the dimensions of freedom makes it clear that full liberty is beyond human ability. There will never be complete ‘freedom of’ or ‘freedom to’. The best one can hope to achieve is a high degree of ‘freedom from’, such as the freedom from tyranny and the freedom from misery.

### The Three Dimensions of Freedom



After the disaster of the Spanish Civil War for the political anarchist movement, political anarchism has lost much of its appeal. Even the kibbutzim movement has largely petered out. Fascism, Nazism, and Communism have gone, and with it political anarchism as their main counterpunch. What lives on and has gained more momentum since the beginning of the second half of the 20<sup>th</sup> century is philosophical anarchism, both as individualist anarchism and as anarcho-capitalism. There is no mutual exclusion between individualist anarchism and anarcho-capitalism. Each line of thinking stresses a somewhat different point. Individualist anarchism focuses primarily on the ‘freedom to’ – to be one’s own personality as one wishes to develop. Both, anarcho-capitalism and individualist anarchism, demand the ‘freedom of’, such as the freedom of speech and both claim as much ‘freedom from’ as possible in the sense of freedom from tyranny and economic misery.

### **Conclusion**

The books were on the shelf, the knowledge spread, yet the time had not yet come in the past centuries to realize the utopia of a free society. The political means was still too powerful compared to the economic means, as the famous distinction put forward by Franz Oppenheimer says.

In his book about voluntary servitude, Etienne La Boétie lamented that even under the worst suppression by tyranny, there will always be some eminent men who know about freedom, who feel the spirit of liberty but with censorship, difficulties of transport, and the means of communication under State control, these freedom-minded persons have a hard time communicating and remain solitary in their efforts.

In our times, these conditions have changed. The restraints on communication and transport have diminished. All it takes is to maintain and gain back the right of free speech. The right to bear guns as the armament of the people against tyranny is not sufficient without the freedom of speech. These two rights belong together, and it is not a coincidence that they stand side by side as the first and second amendment of the American Constitution.

Today, the main task of the philosophical anarchist is his engagement for free speech because it is the only way how a change of public opinion can come about. Different from the State intellectuals, the philosophical anarchists will not manipulate. Their use of the media is not to indoctrinate the people. It is the creed of the philosophical anarchists that liberty is not a chimera, that it is not something that comes from the outside to the hearts of the men but that it is within everybody, that it is not an attachment to human nature but at the core of his very existence. Free speech is the means to express oneself, to distinguish oneself, to speak about one's wishes and of one's conditions. Free speech means human expression. Without free speech, the essence of being a human gets lost.

The only way to extinguish the human strife for liberty is to suppress free speech. As long as the freedom of expression is with us, the freedom of man is safe. So long as we can speak up freely, the light of liberty will shine, and the message of freedom will spread.

## V.

# IS ANARCHO-CAPITALISM POSSIBLE?

Even if one agrees that anarcho-capitalism has become a necessity, the question arises whether such a governance is possible. After all, at first sight, insurmountable problems seem to prevent the flourishing of a stateless society. Libertarianism means a private law society. Private businesses in the marketplace provide the traditional functions of the state. An order of anarcho-capitalism substitutes the hierarchical coordination of activities of the state through horizontal cooperation based on voluntary exchange. Although a libertarian order amounts to a revolution as to its consequences, the path to its creation is non-revolutionary. The way to an anarcho-capitalist order is gradual as an on-going process of privatizations. Beginning with the sale of semi-public enterprises and public utilities, privatization will extend step by step to education and health and will also encompass security and the judicial system.

Frequent objections against anarcho-capitalism doubt the possibility to substitute state activity by the private sector. Questions arise such as: 'If there is no state, who would build the roads - who would care for the poor - who would provide for education, health services, security, and justice? If there is no state, who would pay the pensions?' - Such questions are not the result of analysis but of habit. If the supply of socks and underwear were in the hands of the state, people would ask the same questions concerning socks and underwear. If the state takes over an activity, it drives out private supply. This leads to the paradoxical result that government services seem indispensable the more activities the state has under its control.

Not too long ago, many of the activities, which now provides the state, were in private hands. The government did not take over these services because the private sector failed but because the party politicians, in their search for power and its

extension, have encroached upon the private sector. Once when the interventionist spiral got started, there was no end: the more the state commands, the mightier politicians and state functionaries become. As the market economy recedes, the easier it gets for the party politicians to bring further activities under their authority.

When the state takes over an economic activity, scarcity does not diminish but grows. Therefore, all major activities of the state – be it education, healthcare or external and domestic security – appear always as being under-funded and in need of expansion. Because of the artificial scarcity, the electorate demands more of these services the more the state provides. No party politicians would dare to deny these wishes. Which political party representative would propose less spending for education, healthcare, and security? The voters do not realize that they are in a trap. They fail to see that beyond the lack of efficiency there is also an oversupply of governmental services.

The limit to an endless expansion of the state in terms of expenditures is the budget constraint. When the state has reached the financial limit, the control mania does not stop but goes on in other areas. When government spending hits its bound and financial restrictions curtail government expenditures, the state turns to the control of those activities that do not require spending money. Consequently, the fastest growing areas of state activities over the past decades have been behavioral sanctions – reaching from what one may eat and drink to what one may say and not say. First, governments regulate what you may take into your mouth, then the state controls what may come out of your mouth.

Under anarcho-capitalism, most of what the state supplies in services could fall to a fraction of the present volume. On a world-wide scale, military spending alone comprises around [1.7 trillion US-dollars](#) annually. The so-called 'public services' would not only become better and cheaper, but it would also turn out that under a free market, the demand for education, healthcare, defense, and domestic security would be much different than it is now. Therefore, to privatize many of the activities, which now are under the authority of state would not only lead to a decrease of the costs per unit of the services but also reduce the volume of supply because a large part of the current supply of so-called 'public goods' is a useless waste. Losing none of the genuine benefits of education, healthcare, and defense, the budgets for these provisions could fall to a fraction of their present size.

If one includes the overblown judicial and public administration apparatus into the reduction of state activity, government spending, which nowadays is close to fifty percent of the gross domestic product in most industrialized countries, could come down to the single digits. Taxes and contributions could fall by ninety percent.

Different from what is presently the dominant belief, to privatize the police functions and the judiciary is not such a big problem. It would mean to extend what is already going on. In the United States of today, for example, private policing, such as by security guards, happens already at a grand scale and comprises more than [one million](#) persons. In some countries, including the United States, the number of private police and security already exceeds the number of official policemen. The private

provision of judicial services is on the rise. Arbitration courts experience a strong and increasing demand including services for [cross-border disputes](#). These trends will go on because private protection and arbitration is cheaper and better than the public provision. In [Brazil](#), for example, which entertains one of the most expensive judicial systems of the world, currently about eighty million cases are pending without decision, and legal uncertainty has become monstrous.

## VI.

# THE WELFARE STATE: MORE COSTS THAN BENEFITS

For many people, the welfare state is a great achievement. Yet few people recognize that the more comprehensive the welfare state extends, the more the beneficiaries themselves must bear the costs. The citizens pay for what they receive and, in addition to it, they pay also for the apparatus around the distributive state as administrative expenses and as the rent-seeking by special interest groups. There is a welfare industry that ranges from the medical-pharmaceutical complex to the employment opportunities of social workers.

The wealthy persons of the society will care for the poor if redistribution remains small and if the circle of the needy is well defined. This is the case with voluntary charity. Yet when the state expands into the welfare state, the beneficiaries of the social transfers themselves must bear the costs for what they seem to get for free from the state. The more the general population falls into the hold of the welfare state, the more diffuse the definition of need becomes and the larger the number of the contributors will grow. In the end, all pay more than they get.

At a deeper level, the evils that many citizens attribute to 'capitalism' are the result of the fact that these very same citizens demand from the political parties what they in fact lament. A so-called 'social state' means that the services it provides are more expensive than they would be under private supply. Because of an insurance and a public supply, demand for the services rises. Instead of utility-driven, the system becomes cost-driven. Prices continue to rise even when the benefits of the services sink. As the costs rise, the quality of the supply falls.

The term 'moral hazard' designates the phenomenon that insurance produces incentives to provoke the damage that the insurance covers. The profiteers from insurance are those groups that provide the good, which the insurance covers.

With the car insurance, it is auto repair shops and with health, it is the health care providers, the medical doctors, and the pharmaceutical industry. For the healthcare system, moral hazard signifies that the great beneficiary of a comprehensive insurance scheme is the medical establishment, while the clients are the losers as they must bear the extra costs. An obligatory insurance is financially a magic boon to the suppliers of the goods and services for which there is an insurance. In education, for example, the largest beneficiaries of the subsidies that students receive from the state to study are the employees of colleges, with the administrators at the top.

Since its [inception](#), dissatisfaction with the welfare state has increased at the same tempo as the costs of the welfare state have risen. Since its beginning, social security was sold to the public as an offer that apparently would come costless. Since then, this illusion is also upheld as to the whole range of programs of the comprehensive welfare state. Consequently, the demand for all kinds of social policies systematically exceeds the supply, even if almost everyone is dissatisfied with the performance of the system.

An insurance, when organized as a collective system as it is the case with healthcare, brings with it that the users will ignore the principle of marginal utility and marginal costs. The gates are open to a cost avalanche. Without a fundamental change of the system, the healthcare Moloch in the advanced industrialized countries will absorb more and more of the income of the population. There is no limit to spending as a share of income and the system moves to the point where contributions use up a person's entire income. The patient would then have access to the most comprehensive range of healthcare, but this privilege would come with his financial ruin. Nothing would be left of one's income for other expenses beyond the medical expenditures. The healthcare system in its present form moves towards this absurdity. This outcome becomes even more absurd when medical science itself establishes that it is not the expenditure for healthcare that determines health and longevity, but a person's [lifestyle](#).

In education, the situation is similar, albeit with a different emphasis. Both education and health are so-called superior goods, where the demand increases more than proportional to a rise in income. This would be no problem if the beneficiary of the product were to bear the costs. It is different, however, with health and education. The recipients of the service are not the same persons who pay. An excessive demand is a result. Over-consumption occurs with both, health and education.

In education, similar to healthcare, it is also not spending that counts but what one studies. The difference in income does not result from the '[selectivity](#)' of the institution but what subject one studies. Even more so: a host of indicators suggests that much of the spending on education has little impact on learning. Education is not about learning but mainly about [signaling](#).

Goods like education and health have no natural saturation points. Since finding the optimum is not an option, the demand moves to the maximum. Even if each patient had his personal physician, there would be further demand. This is also the case with education. Demand shifts from the optimum to the maximum and questions such as why not give each student his own special teacher appear no longer absurd. When health care and education are apparently free, supply will never satisfy demand.

A [free capitalism](#) would end with the collectivism that prevails in the education and health system. Disposable income would rise, and people could spend it according to one's personal preferences - different from the present system where one must pay without little if any say.

Under the current democracy, political parties try to outdo each other with new designs for 'social security' and 'welfare' and 'justice for all'. In politics, however, 'better' means not an improvement but more spending and higher costs. Therefore, these proposals come down to nothing more than to increase the costs for the general population.

Despite the broadening and deepening of the social programs, social issues have not diminished. Not only in the European countries but also as to the United States, one could observe that new social policy plans have augmented the hardships and widened the number of people in need instead of reducing the social ailments and to diminish the dependency on the programs. Never in America have the poor been ['losing ground'](#) so much as under the social welfare expansion that came with the launch of the 'Great Society' in the 1960s.

## VII.

# WHY CAPITALISM WORKS AND SOCIALISM DOES NOT

Recent [surveys](#) show that a majority of the so-called “millennials” generation prefers socialism to capitalism. While this result is shocking because of the dimension of ignorance it reflects, it is also understandable because the poll refers to an ideal picture of socialism compared to the current reality of capitalism. There is much to improve with capitalism in America, yet one must keep in mind that socialism never works and even fails in its ideal form. Moving from state capitalism to state socialism is not the way of salvation as a [candidate](#) claimed in his bid in the run for the presidency in 2016, but the road to hell paved with good intentions. What may be in for the United States has shown up again by the victory of a declared “[democratic socialist](#)” in a New York primary of the Democratic Party in June 2018.

The right way to go is to bring the current economic system closer to the capitalist ideal. Not more socialism is the answer but more capitalism. Many of the problems of the present state of capitalism in America and elsewhere are not the result of the defects of the market economy but of the socialist measures that have undermined the price system and property rights. Heeding the insights into the workings of both socialism and capitalism as [Ludwig von Mises](#) and [Friedrich von Hayek](#) elaborated have gained a new urgency.

Capitalism is a system in which profits come to those who are best at satisfying the wishes of the customers. ‘Better’ refers not only to the price but also to the quality, including the appeal of the product to the buyer. In a socialist economy, even a benevolent dictator could not provide the right mix of goods in terms of price and quality because in the socialist system, there are no market prices. Socialism

eliminates both: information and incentives. All economic agents, including the planning authority, operate in the dark. A market economy, in contrast, functions like a data processing machine that emits the continuously information about scarcity and excess.

In a market economy, the relative prices of the goods serve as a guide for economic action. The price ratios show how to combine the production factors to best satisfy the needs of the consumers. Relative prices show what consumers want and guide the production process into this direction because this is where the profits emerge. The competition provides the incentives for cost-effectiveness so that consumers receive the goods at the lowest prices based on the best use of the factors of production.

In capitalism, the wishes of the clients regulate the overall structure of the price relations. The preferences of the consumers determine also the value of the investment goods. This so-called 'imputation' means that the value of the final product determines the value of the intermediate goods. Because the consumer determines the value of the final good, the anchor for the value structure of the entire wealth in a market economy is the consumer.

Under capitalism, it is not a planning authority that controls the production structure, but the consumers decide. Production follows the wishes of the consumers. They control the economy because only those entrepreneurs that obey the calls of their clients gain a profit. Businesses must restructure the production according to the changes of the wants, needs, and tastes of the buyers of their products.

Socialists suppose that to implant their rule on the economy all that is necessary is to socialize the private companies, replace the management, and install worker councils, and the new economic order would flourish. The early socialists expected that abundance would follow not least because now the workers would get what before went into the hands of the capitalists as profits. Yet the socialists ignored that the socialization of the means of production was just the beginning. They failed miserably in running the economy.

The planners may know what type of technology a specific production would require, and they can count on the professionalism of the engineers to use their knowledge. The error of socialist economic planning, however, is the to assume that business management could also continue as before after socialist operators take over the capitalist management. While the socialist regime can train administrators and engineers, and put the party members in the position of directors, these new leaders cannot decide according to relative scarcities because there is no longer a private property-based entrepreneurial price system available.

Many supporters of socialism suppose that business management is nothing more than a kind of registration or simple bookkeeping. Vladimir Ilyich Lenin (1870-1924), the Soviet revolutionary leader, [believed](#) that the knowledge of reading and writing,

and some expertise in the use of the four basic arithmetic operations and some training in accounting, would be enough for the conduct of business operations. The socialists then and now ignore the fundamental economic problem, which consists in determining what to produce, for whom, and how.

The socialist planners assume that a plan can stipulate these three tasks and ignore how and from where such a plan should find its standards of valuation. Socialists presume that one could manage a complex economy without capitalists and entrepreneurs. When prices and markets disappear, one loses the orientation about which factors of production are more and which are less scarce along with the loss of knowledge of the costs of the goods used in the production process.

Scarcity makes goods valuable, and relative prices show this in a market economy. By observing the prices, the market participants receive information about scarcity and align their economic decisions to the market signals. Yet when there is no market, information about the relation between the wants for goods and their supply vanishes. The price system informs about scarcity and abundance and makes it possible to decide according to one's own best interests. There is no need for a comprehensive system of information since markets enable to weigh the advantages and disadvantages of economic actions through relative prices because the price system reduces complexity for the individual decision maker to the single number of the price. In a market economy, the economic participants need only partial knowledge to act rationally.

In socialism, however, private ownership of the means of production no longer exists, and thus there is no price system for capital goods. Institutionally, socialism consists in abolishing the market economy and replacing it with a planned economy. Yet beyond the loss of private property, the fundamental problem comes from the consequence that by doing away with private property of the means of production, one wipes-out information. Even if the socialist administration puts price tags on the consumer goods, and the people may privately own consumer goods, there is no economic orientation about the relative scarcity of capital goods. Because the socialist system removes the private ownership of the production goods and eliminates the role of the entrepreneur, there are no markets.

The socialist economy does not serve the consumers. The point of reference for proper management is to execute the commands – the same as in the military. To fulfill plans refers to the respective level in the hierarchy of the command order – not to the consumer. Even if, for example, the central plan should stipulate to produce a certain number of a good, and that the order would go to the respective factories, the question arises how to design and by which combination of the factors of production the manufacturing should take place. Any production faces the problem that there is an almost unlimited number of ways how to produce a good. One can manufacture a

commodity with very different raw materials, technologies, and combinations of the production factors and in an endless variety of designs.

Before one can systematically consider the aspects of the technological feasibilities, one must apply economic principles – the calculation of the potential profitability of producing a good. Without costs in relation to sales, a technical evaluation makes no sense. What is technically possible is not economically recommended, and what appears efficient from a technical point of view need not be so in terms of economic expediency. With costs left out of the consideration, socialist production is blind to the risk of producing goods that would cost more than they are worth.

Who determines value? In a market economy, it is the client, and, in the last instance, the consumer. In central planning economy, it is up to the planners to determine the value. This, however, they cannot accomplish because preferences and technologies change, and the complexity of the relationship among the goods exceeds the capacity of anyone's mind or that of a planning committee to grasp.

Socialism suffers from four fundamental defects. Each one of them alone makes socialism already inoperative. Together they multiply the effect.

First, socialism eradicates private property and markets and thus eliminates rational calculation.

Second, socialism allows soft budgets, so there is no mechanism in place to discard inefficient production methods.

Third, abolishing private property and replacing it by the state promotes distorted incentives.

Fourth, the socialist system with its absence of private property and of free markets inhibits economic coordination of the system of division of labor and capital.

Socialism means economic blindness. Information gets lost along with the incentive to act according to the price signals. In capitalism, the motivations of gaining profits and to avoid costs work as an incentive to behave rationally. In a market economy, the prices fulfill the double function to inform and to incentivize the seller and the buyer.

It is no wonder that even a degenerate capitalism produces more prosperity than the best socialism. Therefore, the task ahead cannot be to remove capitalism in favor of socialism but to make capitalism better which means to make it more capitalist.

## VIII.

# EMERGING ECONOMIES IN THE MIDDLE-INCOME TRAP

The so-called middle-income trap has come back to haunt many emerging economies. A country finds itself in the middle-income when it falls into a prolonged stagnation after its high-growth phase during the economic take-off has ended. Studies by the World Bank point out that only 13 countries out of 101 middle-income economies in 1960 had become high-income countries by 2008.

For 2018, The World Bank [defines](#) the middle-income range as an annual income from more than 1,006 \$ to under 3,955 \$ for the lower middle-income countries, and a range of more than 3,956 \$ and under 12,235 \$ for the upper middle-income countries. Into these categories fall currently a series of large countries such as Argentina, Brazil, and China (upper middle-income) and India, Indonesia, Pakistan, and the Philippines (lower middle-income). Which of these countries will make it and become an upper-income (or return, as it is the case with Argentina) is still open, yet it won't be those countries that will hang on to state capitalism and interventionism but those that will embrace entrepreneurial capitalism.

Remaining stuck in the middle-income trap means that the country has not succeeded in changing its development strategy from a cumulative and imitative model to an economic order of a competitive, entrepreneurial, and innovative economy. Plain imitation of the technologies of the advanced economies generates high returns only when the distance between the emerging economy and the advanced countries is large. When the gap to the leading economies narrows, imitation becomes less and less viable. As the advantages of simple imitation vanishes, the new growth trajectory requires trial and error, which demands much more sophisticated skills than the mere imitation of a mature technology under state control provides. Instead of state capitalism, the emerging economy needs free entrepreneurial capitalism.

When the economic take-off had come along with the expansion of state activity, the presumption often prevails that more state control instead of less is the way out of the stagnation. Yet the consequence of such a policy is not economic growth but clientelism, corruption, and the misallocation of resources. To get out of the middle-

income trap, the country must change from a cumulative and imitative economy to an innovative economy. Instead of a top-down transformation, the economy needs to blossom from below. Such a transformation requires the liberalization of the regulatory and bureaucratic obstacles that gag entrepreneurial activity. Reducing the tax burden and eliminating the bureaucratic nightmare are essential. The state sector must abandon its interventionism and the uncertainties it creates and open the space for unhampered private enterprise.

Expansionary fiscal and monetary policies only worsen the stagnation. These policies lead to imbalances between savings, investments, spending, and the exchange rate. Even worse gets the case when the government accrues budget deficits, which generate a reduction of the national rate of savings. With less saving available for private investment, such policies obstruct productivity and hinder economic progress.

In order to get out of the middle-income trap, the emerging country must limit the scope of state activity to the provision of legal and institutional security. To achieve higher levels of productivity, government must abandon state capitalism. To get out of the middle-income trap, the emerging country must open its economy to the entrepreneurial capitalism of creative destruction.

It remains to be seen which of the countries that are currently stuck in the middle-income trap (such as Brazil) or which are about to fall into it (such as China) will become a high-income country in the next decade. The choice is up to the country itself, whether its leadership continues with state capitalism or moves to entrepreneurial capitalism. The verdict from the standpoint of sound economics is clear: only those countries will achieve high-income status that make the shift to entrepreneurial free market capitalism.

## IX.

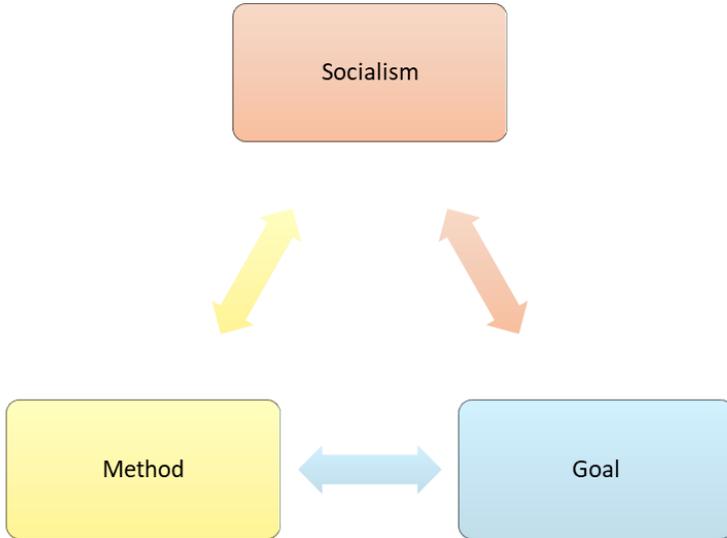
### **SOCIALISM – CAPITALISM**

When discussing socialism, the first thing to do is distinguish between 'socialism as a goal' and 'socialism as a method'. Without this difference, one gets easily deceived and, indeed, many people are fooled into believing that to achieve the socialist goal of prosperity for all one must install socialism as a means. By implanting socialism as a method, the opposite of the expected prosperity comes. Instead of prosperity for all, misery and the loss of freedom is the result. The socialist trick their believers into the illusion that because socialism as a goal is so good, socialism as a means is the right way to obtain this goal.

The concept of socialism entails the contradiction between goal and method.

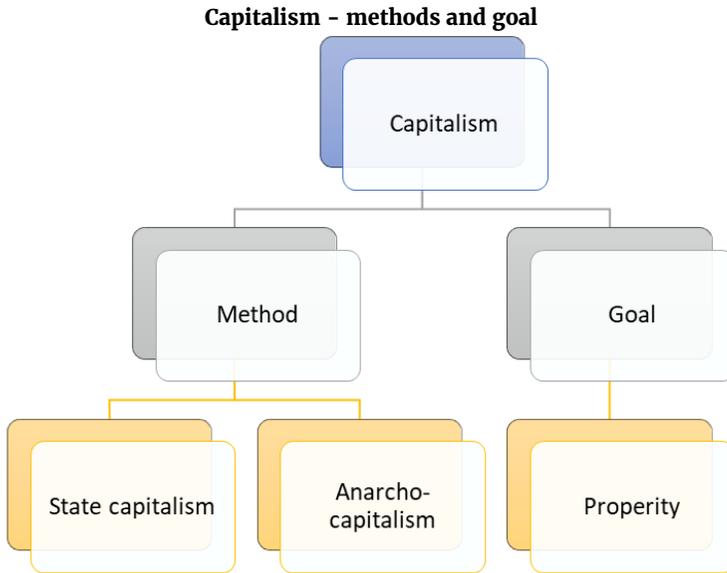
The concept of capitalism does not suffer from this confusion. Capitalism is a means. The goal of capitalism is the production of prosperity, not much different from the socialist ideal, yet be very different means. There are two fundamental ways of capitalism as a means: one is state capitalism, where capitalism is embedded in a state and under the control of government, and the other way is free or anarcho-capitalism where voluntary exchange relations rule.

**Socialism's contradiction between method and goal**



The dispute about capitalism and socialism does not concern the goals, but the means. Which is better to achieve prosperity and freedom? When one puts the problem this way, the answer becomes obvious. Theoretically and historically, socialism has failed on all counts. Therefore, the problem is not socialism versus capitalism, because only fools or fully misguided people would choose socialism. The question is which kind of capitalism is the better method to produce prosperity for all: state capitalism or anarcho-capitalism?

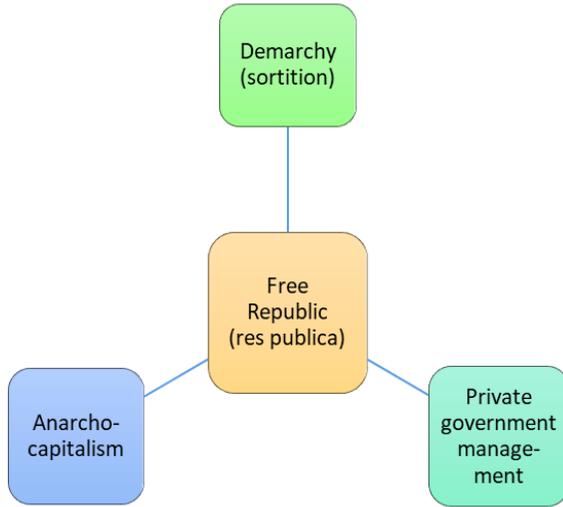
In the past, various forms of state capitalism emerged, most prominently the social market economy since the inception of the second half of the 20<sup>th</sup> century. The case for anarcho-capitalism comes from the need of doing away with the deficiencies of the present system, which, due to a democracy based on political parties, has produced an excess of government spending which has slowed down economic progress and where the welfare state has not lessened but increased inequality. .



Anarcho-capitalism and electoral democracy are incompatible. To give anarcho-capitalism a chance, the political system must change. The way out of dilemma is demarchy or sortition, a political system where the representatives of the people are selected not by vote but by chance. The polity of a free republic consists in the combination of anarcho-capitalism, demarchy, and private government management.

What is the advantage of anarcho-capitalism over state capitalism? The answer is that anarcho-capitalism generates higher levels of productivity, and that productivity is the source of wealth. Demarchy is necessary to do away with the competition of political parties whose rivalry leads to the appropriation of the state as an instrument of distribution. Private government management is an agency that exerts governmental functions as executive and judicial body without the dominance that comes with the state functions. A free republic must be a polity beyond the state and politics.

**Polity of a Free Republic**

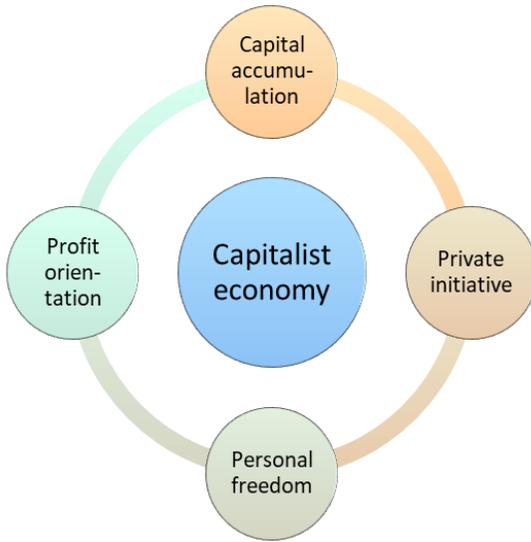


The socialists presume that under a socialist regime the rate of technological progress would be the same as under capitalism. They claim that with the removal of the profit motive one could improve working conditions and have an equal distribution of income. Yet the socialists do not see that the profit motive is the main factor of stimulating technological progress. In a market economy, business can obtain a higher profit rate by way of better productivity, and a higher productivity requires technological progress.

Historically, the evidence shows that technological progress has come with capitalism, and capitalism has come with free enterprise.

The socialists also discard the role of capital and of personal freedom. The socialists see only the accumulated capital but disregard capital accumulation and capital maintenance, i.e. saving. Socialist see the capitalist as an exploiter when in fact his main function is the provision of savings. Likewise, technological progress will not occur in a society where there is no freedom of speech and of private initiative. The meta factors of a capitalist economy are capital accumulation (saving), private initiative (personal freedom) and profit orientation.

**Meta factors of a capitalist economy**



## X.

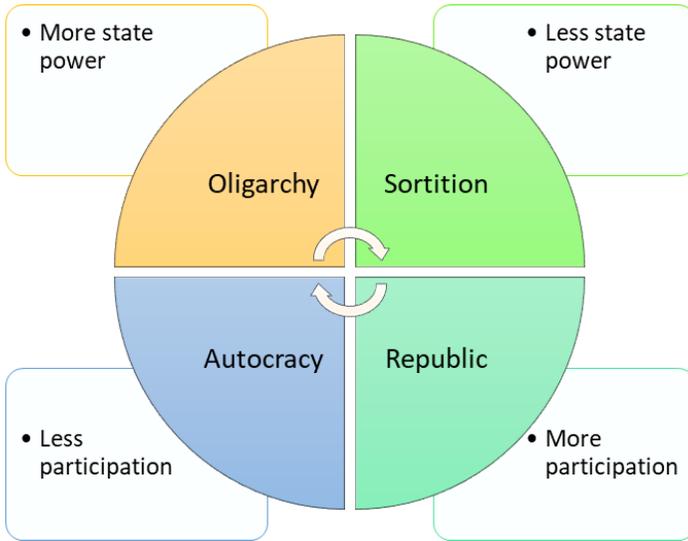
### BEYOND GOVERNMENT

'Sortition' – also called 'demarchy' – is a form of governance that selects the representatives of the people as a random sample from a pool of candidates.

The following advantages of demarchy are evident:

- High degree of popular legitimacy
- Independence of the representatives
- Absence of corruption
- No political parties
- Representation by normal people instead by political power seekers
- Elimination of the costs of the election campaigns
- Reduction of the overall cost of the political apparatus
- Comprehensible laws
- End of the inflation of laws, rules, and regulations
- Minimization of the state (less government spending, lower taxes).

### Sortition (demarchy) in the system of governance



In this scheme, sortition in the upper right corner represents the highest degree of popular participation together with the lowest degree of state power.

The libertarian position is neither left nor right nor centrist. It goes beyond the 'liberal' and the 'conservative' creed as it opposes authoritarianism. Libertarianism also dismisses the distinction between personal and economic freedom because economic freedom is indispensable for personal freedom, and there is no economic freedom without personal freedom.

In terms of degrees of participation of the people and the extent of state power, 'demarchy' is the system of governance, which represents the highest level of participation with the least state power (upper right segment).

A system of political party elections is an *oligarchy* and thus, although it allows limited popular participation, has a much higher extent of state power than sortition

*Monarchy* and *autocracy* have less participation than both oligarchy and sortition.

*Autocracy* has the least participation combined with the highest degree of state power.

Not for their establishment, but for their preservation, the political system needs the approval of public opinion. Power never exists as a crude force alone. State power dominates and falls with its legitimacy, which comes from the approval of public opinion. The great dictatorships of the twentieth century received their position

of power from the belief in certain ideologies. Not the brutal violence made their rule possible, but the consent of the masses allowed the governments to use brutal force. Today, the belief in democracy as majority rule dominates the mindset of the population and forms the basis of legitimacy of this system. Yet democracy in the form of the majority voting system leads to interventionism, and from there, socialism is only a step away. Democracy does not protect against folly or tyranny.

How can one redesign the political system towards more freedom? In the first step, one must deprive the existing system of 'liberal' democracy of its false legitimacy and to show the alternative.

Private government management companies would emerge on competitive markets and offer their services first at the municipal and the state level and from there comprise larger entities up to the level of a country or a union of states. Private government management companies would be in the business to earn a profit and as such they must satisfy the demands of their client (which is the people represented by the Assembly) at the lowest cost.

Such a system would lead to the following consequences (for more detail see the last chapter on 'anarcho-capitalism':

First, serious policymaking in favor of the best for the population would replace the current political game plays that serves special interest groups.

Second, the random selection system would bring a wide range of expertise to the political system.

Third, the members of such an Assembly would not be power-hungry psychopaths and political careerists because, after their short period of life in politics, these persons would return to their private life.

Finally, such legislative procedures would give priority to cut government spending and to lower the tax burden because the members of the Assembly will be the ones who must pay for them.

One may expect that with 'demarchy', government spending will fall, taxes will be lower, and bureaucracy will be less.

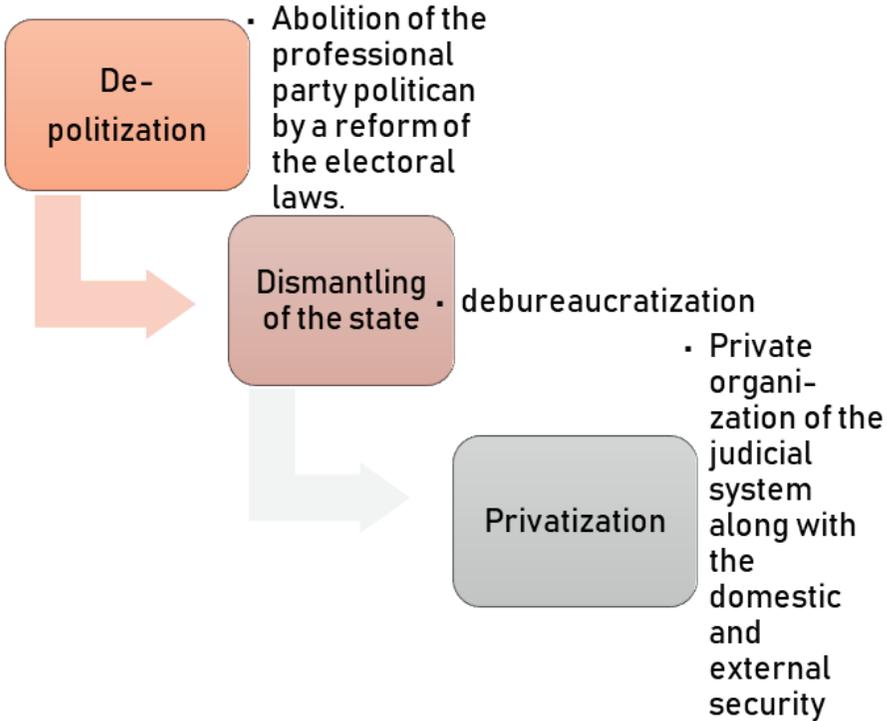
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De-politicization, de-bureaucratization, and the private organization of justice, as well as internal and external security, are the mainstays on the way to establish a libertarian economic and social order.

Doing away with the professional politician, and of party politics, comes with the electoral reform that stipulates the selection of the legislative assembly by the principle of chance.

The legislative body will promote the de-bureaucratization of the state. Finally, the private organization of justice and internal and external security comes into existence.

**Main steps to an anarcho-capitalist order**

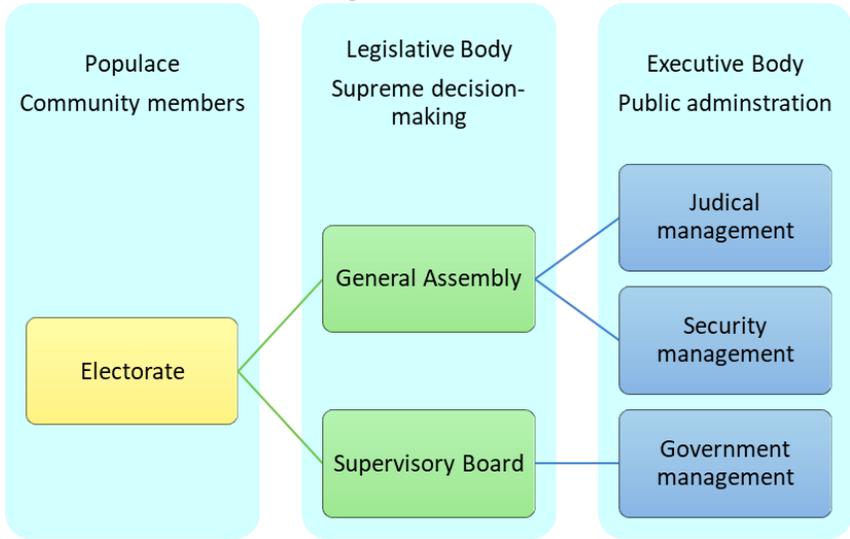


In the modern political state, the division of powers is a fallacy, for the political parties are not only present in the legislative body but are also in government as well as they appoint the judges, including the members of the Constitutional Court. A state legal system is not independent as it exists in close ties to the prevailing power structure. All moral aberrations of the Zeitgeist sneak into the jurisprudence: from the local jurisdiction to the constitutional courts. There has been no perversity on this earth which was not legal at some time and with which the courts did not collaborate.

Not only the United States suffers from the discrepancy between the value system prevalent at the courts and that of the population. The loss of trust in the law has become as severe as the loss of confidence in politics.

A private system of jurisprudence would end with the exercise of the authority of the public judiciary over the people. A private legal system would cost less, be more effective and it would be more just. Artificial intelligence would come to its full potential under a private legal system and cut expenses for legal services to a small fraction of what it costs now.

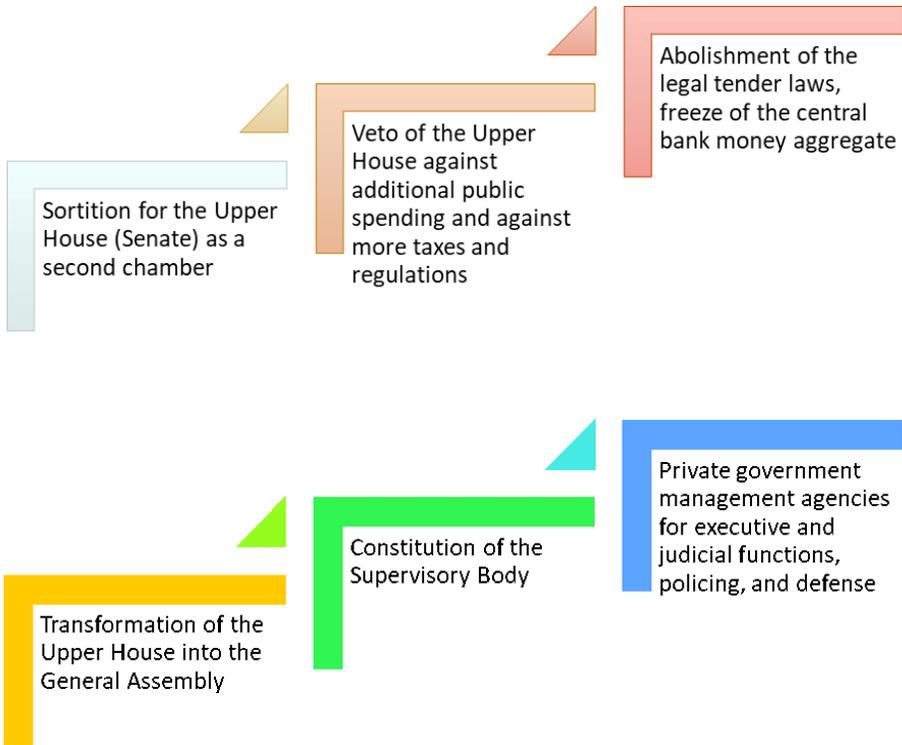
**Scheme of governance of a demarchy**



The new polity of a free republic would be based on the populace as the members of the community that forms the electorate. The legislature as the supreme decision-making body consists of the General Assembly and its special arm of the supervisory board. The General Assembly is composed of members who are chosen by lot as a random representative sample of the electorate. The members of the General Assembly serve for 24 months. Every six months, one fourth of the Assembly comes in while those who have served for 24 months leave the Assembly. Those members who participate their ultimate phase of six months in the Assembly form the Supervisory Board.

The Executive is the branch of public administration. It includes the judicial management, the security management (domestic and external), and a private government agency.

The path to the establishment of a demarchy is given below, where the process would involve six stages:



### Timeline of the policies

When a community establishes a chamber, whose members are selected by lot as an addition to the existing structure of government, the 'Senate chamber' should use its veto right to stop all measures that would expand the state and its bureaucracy. After establishing the General Assembly as the prime law-giving body, intermediate measures must follow to reduce the state and its bureaucracy. In the long-run, the task to establish an anarcho-capitalist order requires to remove state money, to stop government spending and to eliminate all taxes and contributions along with eliminating public regulations and public employment, and to privatize the courts, the police force, and defense.

#### Immediate Measures

- End expansion of money supply
- Stop expansion of government spending
- Halt rise of taxes and contributions
- Halt public regulations

## ESSAYS ON THE STATE AND GOVERNMENT

- Stop hiring public employees

### **Intermediate Measures**

- Open financial markets for free banking
- Reduce government spending
- Cut taxes and contributions
- Reduce regulations
- Diminish state employment

### **Long-term Measures**

- Remove state money
- Eradicate government spending
- Eliminate taxes
- Minimize regulations
- Minimize public employment
- Privatize judicial courts
- Privatize police force
- Privatize defence
- Outsource government

## BASIC CONCEPTS OF AN ANARCHO- INDIVIDUALIST ORDER

Concept	Definition
Anarcho-republic	A polity based on the voluntary association of free persons for the cooperative attainment of individual aims, a polity that is a republic (“res publica”) in its true sense different from state organizations that are hierarchical, dictatorial, and authoritarian
Anarcho-liberalism	The political philosophy which promotes a polity based on the voluntary association of free persons for the cooperative attainment of individual aims
Libertarianism	The political movement aimed at establishing the governance of free persons. Libertarianism stands in contrast to all those movements which try to establish an authoritarian or dictatorial rule
Demarchy	A form of governance where the people's representatives are chosen by lottery in contrast to the political systems whose rulers come to power through heritage, force or vote
Sortition	The process through which the representative body of the people is chosen in a lottery in contrast to systems of vote, co-option, and cooptation

ESSAYS ON THE STATE AND GOVERNMENT

Anarcho-capitalism	Free market economy (“Laissez-faire”-capitalism) - an economic order based on private property and free markets in contrast to state capitalism, socialism, communism, and interventionism
Anarcho-individualism	The philosophy that puts the autonomous individual at the center of the system of values in contrast to all forms of collectivism and hierarchical authoritarian organizations
Electorate	Members of the community that form the universe of the sortition similar to the voters in a democracy
General Assembly	The representative body of the electorate that form the legislative body of the Republican Polity similar to parliaments or congresses in the modern democracies
Supervisory Body	A part of the General Assembly with special assignments of supervision over the private government management agency similar to the old Upper House in Britain or Senates in the original meaning
Government management	A private government agency that is hired by the General Assembly and supervised by the Supervisory Body to exert executive functions similar to governments in the traditional sense yet without state authority
Judicial management	Private law agencies that offer services of arbitration similar to current arbitration services
Policing	Private police similar to the present forms of non-state law-enforcement bodies
Defense	Under the authority of the General Assembly and of the supervision by the

	Supervisory body, the defense of the community is managed by private companies (high-tech)
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# MAIN TYPES OF GOVERNMENT FAILURES

## I.

### Knowledge

Government policies suffer from the pretense of knowledge (Friedrich Hayek). In order to perform a successful market intervention, politicians need to know much more than they possibly can. Market knowledge is not centralized, systematic, organized and general, but dispersed, heterogeneous, specific, and individual. Different from a market economy where there are many operators and a constant process of trial and error, the correction of government errors is very limited because of its status as a monopoly and because admitting errors may actually be worse for the reputation of the politician than sticking with a wrong decision - even against one's own insight.

## II.

### Information asymmetries

While there are also information asymmetries' in the market, for example between the insurer and the insured, or between the seller of a used car and its buyer, the information asymmetry is more profound in the public than in the private sector. While there are, for example, several insurance companies and many car dealers, there is only one government. The representatives of the state as an agency, the politicians, have no skin the game and because they are no stakeholders, they will not make much efforts to investigate and avoid information asymmetries'. On the contrary, politicians are typically eager to provide funds not to those who need them most but to those who are politically most relevant.

## III.

### Crowding out of the private sector

Government intervention does not eliminate apparent market deficiencies but creates them by crowding out the private supply. If there were not a public dominance in the areas of schooling and social assistance, private supply and private charity would fill the gap as it was the case before government usurped these activities. Crowding-out of the private sector through government policies is constantly at work because politicians can get votes by offering additional public services although the public administration would not improve but rather deteriorate the issue.

IV.

Time lags

Government policies suffer from long lags between diagnoses and effect. Government notices only those problems for which there is a political pressure. It takes a long time until a problem becomes sufficiently politicized until it finds the attention of the government. After the diagnosis, another lag happens until the authorities have found a consensus on how to tackle the political problem and it takes a further time span until the appropriate political means have found sufficient political support. Only then will the measures get implemented and a further time elapses until the proceedings show some effects. The results of state interventions typically not only deviate from the original intent but actually may produce the opposite result. In every case, the lapse of time between the articulation of a problem and effect is so long that not only the nature of the problem and its context have changed - often fundamentally.

V.

Rent seeking and rent creation

Government intervention invites rent-seeking. Rent seeking is the endeavor of gaining privileges through government policies. Along with existing rents, government policies are induced to create additional rent opportunities in order to gain additional support and votes. This rent creation invites more rent-seeking and leads to a process where the distinction between corruption and decent and legal conduct get blurred. The more a government gives in to rent-seeking and rent creation, the more the country will fall victim to clientelism, corruption, and the misallocation of resources.

VI.

Logrolling and vote trading

The public choice concept of "logrolling" denotes the exchange of favors among the political factions in order to get one's favored project through by supporting the projects of the other group. This conduct leads to the steady expansion of state activity. Through the "quid pro quo," the politicians support pieces of legislation of other factions in exchange for obtaining the political support for one's own piece of legislation. This comportment leads to the well-known phenomenon of "legislative inflation", the avalanche of useless, contradictory and detrimental law production.

VII.

Common good

The so-called “common good” is not a well-defined concept. Similar concepts, such as that of the “public good” which is defined by non-excludability and non-rivalry, misses the point because it is not the good that is “common” or “public” but its provision is deemed as more effective by collective efforts than individuality. However, this is the case with all goods and the market itself is a system of providing private goods through cooperative efforts. Any of the so-called public goods, which the government supplies, the private sector can also deliver, and cheaper and better. A free market economy could not only provide education, health care or old age provision as well as domestic and external security but also better and cheaper.

VIII. Regulatory capture

The term “regulatory capture” denotes a government failure where the regulatory agency does not pursue the original intent of promoting the “public interest” but fall victim to the special interest of those groups, which the agency was set up to regulate. The capture of the regulatory body by private interests means that the agency turns into an instrument to advance the specific interest of the groups that were targeted for regulation. The special interest group may ask for regulation to obtain the state apparatus as the instrument to promote their interests.

IX.

Short-sighted bias

The political time horizon is the next election. In the endeavor that the benefits of political action come quickly to their specific clientele, the politician will favor short-term project over the long-term even if the former bring only temporary benefits and cost more in the long run than an alternative project where the costs come earlier but larger benefits later.

X. Rational ignorance

It is rational for the individual voter in a mass democracy to remain ignorant about the political issues because the value of the individual's vote is so small that it makes not much difference for the outcome. The rational voter will vote for those candidates who promise most as benefits. Given the small relevance of an individual vote in a mass democracy, the rational voter will not spend much time and effort to investigate whether these promises are realistic or in a collision with his other desires. Thus, the political campaigns do not have information and enlightenment as the objective but disinformation and confusion. What counts, in the end, to get voted is not the solidity of the program but the enthusiasm a candidate can create with his supporters and how

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much he can degrade, denounce, and humiliate his opponent. The political election process spreads hatred, division, and the lust for revenge.

## TEN INDICTMENTS AGAINST THE STATE

The great illusion of the modern time is the belief that a society and the economy would require a State. The State is not a necessary evil but a superfluous evil. The individual cannot survive without society and an economy, but this does not mean he could not survive without a State. Anarcho-individualism says that life for the individual in society would be better without a State. Anarchist individualist do not oppose society when they are anti-state. Not the anarchist is anti-social, but the State. Here is the checklist:

I.

While pretending to protect life, liberty, property, the State has been the eternal enemy of life, liberty, and property. Throughout history, the crimes committed by the State have been boundlessly more than those ever committed by individuals.

II.

The State is not productive. The origin of the State is parasitism. The social rift is not between the worker and the capitalist but between the parasitic State and those who produce the goods.

III.

The State is the enemy of the prosperity of the people. The State taxes wealth and punishes productivity. He regulates work and misdirects savings and investment.

IV.

Looting is the alimony of the State. The State will let the economy thrive only where it provides the material for the State to plunder.

V.

Aggression is the nature of the State. Its aggression goes likewise against its own subjects as to real or imagined foreign enemies. War is the health of State.

VI.

The State creates its own enemies and justifies its own existence. Through permanent war and conflict, the State gains the consent of its underlings.

VII.

The State deceives about the legitimacy of its exercise of force and coercion. The State has no authority other than the false one that comes through violence.

VIII.

The individual is the natural enemy of the State. Therefore, the State will do all it can to promote conformism.

IX.

All States fail. The greatest victory of the State carries with it the seed of the decay of the State.

X.

Doing away with the State will open the gate to peace and prosperity. The demise of the State marks the beginning of the triumph of the individual.

# PRINCIPLES OF ANARCHO-CAPITALISM

I.

Each man is unique in his personality  
(Human uniqueness makes the individual)

II.

Man is an enterprising being  
(Human action)

III.

Society is the free association of men  
(principle of the division of labor)

IV.

The limit of one person's egoism is the other person's egoism  
(checks and balances)

V.

The law of cooperation is reciprocity  
(do ut des)

VI.

Government exists through consent, not by right  
(Government as business management)

VII.

The source of legitimacy is the compatibility of wills  
(Freedom)

VIII.

The purpose of private property is free enterprise  
(Productive competition)

IX.

There are no rights and no duties other than individual self-preservation  
(Scope of existence)

X.

Individual sovereignty is supreme  
(Anchor)

# Principles of Anarchist Individualism

I.

All I am is my property

II.

Society may limit my freedom but must not curtail my uniqueness

III.

It is better to rely on the egoism of the others than on their compassion

IV.

Society is fate - community is a choice

V.

To use oneself does not mean to be useful

VI.

To amuse oneself is an artform

VII.

I have no duty to anybody and nobody has a duty to me

VIII.

Taking people as they are, is the first step to inner and external peace

IX.

To rule over one's thoughts is the greatest achievement

X.

Not every concept represents an existence

XI.

I am my own truth

XII.

I am the measure of all things

XIII.

The principle of life - any life - is exhaustion

XIV.

My uniqueness is my perfection

XV.

A man of virtue is non-aggressive, self-controlled, superior, cheerful, ironic, open-minded, and benevolent

## **Anarcho-Capitalism: An Annotated Bibliography**

by **Hans-Hermann Hoppe**

Here is the essential reading on anarcho-capitalism, which might also be called the natural order, private-property anarchy, ordered anarchy, radical capitalism, the private-law society, or society without a state. This is not intended to be a comprehensive list. Indeed, only English-language works currently in print or forthcoming are included. Please note that suggestions are welcome, especially for [Section IV: Congenial Writings](#).

### **I. Murray N. Rothbard and Austro-Libertarianism**

At the top of any reading list on anarcho-capitalism must be the name [Murray N. Rothbard](#). There would be no anarcho-capitalist movement to speak of without Rothbard. His work has inspired and defined the thinking even of such libertarians such as R. Nozick, for instance, who have significantly deviated from Rothbard, whether methodologically or substantively. Rothbard's entire work is relevant to the subject of anarcho-capitalism, but centrally important are:

[The Ethics of Liberty](#), the most comprehensive presentation and defense of a libertarian law code yet written. Grounded in the tradition of natural law and in its style of axiomatic-deductive reasoning, Rothbard explains the concepts of human rights, self-ownership, original appropriation, contract, aggression, and punishment. He demonstrates the moral unjustifiability of the state, and offers smashing refutations of prominent limited-statist libertarians such as L. v. Mises, F. A. Hayek, I. Berlin, and R. Nozick.

In [For A New Liberty](#) Rothbard applies abstract libertarian principles to solve current welfare-state problems. How would a stateless society provide for goods such as education, money, streets, police, courts, national defense, social security, environmental protection, etc.? Here are the answers.

[Power and Market](#) is the most comprehensive theoretical analysis of the inefficiencies and counterproductive effects of every conceivable form of government interference with the market, from price controls, compulsory cartels, anti-trust laws, licenses, tariffs, child labor laws, patents, to any form of taxation (including Henry George's proposed "single tax" on ground land).

[Egalitarianism As a Revolt Against Nature](#) is a marvelous collection of Rothbard essays on philosophical, economic, and historical aspects of libertarianism, ranging from war and revolution to kids' and women's liberation. Rothbard shows his intellectual debt both to Ludwig von Mises and Austrian economics (praxeology) and to Lysander Spooner and Benjamin Tucker and individualist-anarchist political philosophy. This collection is the best single introduction to Rothbard and his libertarian research program.

The four-volume [Conceived in Liberty](#) is a comprehensive narrative history of colonial America and the role of libertarian ideas and movements. Rothbard's magisterial two-volume [An Austrian Perspective on the History of Economic](#)

Thought traces the development of libertarian economic and philosophical thought throughout intellectual history. The Irrepressible Rothbard contains delightful libertarian commentary on political, social, and cultural issues, written during the last decade of Rothbard's life.

Justin Raimondo has written an insightful biography: Murray N. Rothbard: An Enemy of the State.

The Austro-libertarian tradition inaugurated by Rothbard is continued by Hans-Hermann Hoppe. In Democracy — The God That Failed Hoppe compares monarchy favorably to democracy, but criticizes both as ethically and economically inefficient, and advocates a natural order with competitive security and insurance suppliers. He revises fundamental orthodox historical interpretations, and reconsiders central questions of libertarian strategy. The Economics and Ethics of Private Property includes Hoppe's axiomatic defense of the principle of self-ownership and original appropriation: anyone arguing against these principles is involved in a performative or practical contradiction.

The Myth of National Defense is a collection of essays by an international assembly of social scientists concerning the relationship between State and war and the possibility of non-statist property defense: by militias, mercenaries, guerrillas, protection-insurance agencies, etc.

## II. Alternative Approaches to Anarcho-Capitalism

The following authors come to similar conclusions but reach them in different ways and varying styles. While Rothbard and Hoppe are natural-righters of sorts and praxeologists, there exist also utilitarian, deontic, empiricist, historicist, positivist, and plain eclectic defenders of anarcho-capitalism.

Randy E. Barnett's The Structure of Liberty is an outstanding discussion of the requirements of a liberal-libertarian society from the viewpoint of a lawyer and legal theorist. Heavily influenced by F.A. Hayek, Barnett uses the term "polycentric constitutional order" for anarcho-capitalism.

Bruce L. Benson's The Enterprise of Law is the most comprehensive empirical-historical study of anarcho-capitalism. Benson provides abundant empirical evidence for the efficient operation of market-produced law and order. Benson's sequel To Serve and Protect is likewise to be recommended.

David D. Friedman's The Machinery of Freedom presents the utilitarian case for anarcho-capitalism: brief, easy to read, and with many applications from education to property protection.

Anthony de Jasay favors a deontic approach to ethics. His writing — in The State, in Choice, Contract, Consent, and the excellent essay collection Against Politics — is theoretical, with a neo-classical, game-theoretic flavor. Brilliant critic of public choice and constitutional economics — and the notion of minarchism.

Morris and Linda Tannehill's The Market for Liberty has a distinctly Randian flavor. However, the authors employ Ayn Rand's pro-state argument in support of the

opposite, anarchistic conclusion. Outstanding yet much neglected analysis of the operation of competing security producers (insurers, arbitrators, etc.).

### III. Precursors of Modern Anarcho-Capitalism

The contemporary anarcho-capitalist intellectual movement has a few outstanding 19th and early-20th century precursors. Even when sometimes deficient — the issue of ground land ownership in the tradition of Herbert Spencer and the theory of money and interest in the Spooner-Tucker tradition — the following titles remain indispensable and largely unsurpassed. (This listing is chronological and systematic, rather than alphabetical.)

Gustave de Molinari's pathbreaking 1849 article [The Production of Security](#) is probably the single most important contribution to the modern theory of anarcho-capitalism. Molinari argues that monopoly is bad for consumers, and that this also holds in the case of a monopoly of protection. Demands competition in the area of security production as for every other line of production.

Herbert Spencer's [Social Statics](#) is an outstanding philosophical discussion of natural rights in the tradition of John Locke. Spencer defends the right to ignore the state. Also highly recommended are his [Principles of Ethics](#).

Auberon Herbert is a student of Spencer. In [The Right and Wrong of Compulsion by the State](#), Herbert develops the Spencerian idea of equal freedom to its logically consistent anarcho-capitalist end. Herbert is the father of Voluntarism.

Lysander Spooner is a 19th-century American lawyer and legal theorist. No one who has read "No Treason," included in [The Lysander Spooner Reader](#), will ever see government with the same eyes. Spooner makes mincemeat of the idea of a social contract.

A concise history of individualist-anarchist thought and the related movement in 19th-century America, with particular attention to Spooner and Benjamin Tucker, is James J. Martin's [Men Against the State](#).

Franz Oppenheimer is a left-anarchist German sociologist. In [The State](#) he distinguishes between the economic (peaceful and productive) and the political (coercive and parasitic) means of wealth acquisition, and explains the state as instrument of domination and exploitation.

Albert J. Nock is influenced by Franz Oppenheimer. In [Our Enemy, the State](#) he explains the anti-social, predatory nature of the state, and draws a sharp distinction between government as voluntarily acknowledged authority and the State. Nock in turn influenced Frank Chodorov, who would influence young Murray Rothbard. In his [Fugitive Essays](#), a collection of pro-market, anti-state political and economic commentary, Chodorov attacks taxation as robbery.

### IV. Congenial Writings

While not directly concerned with the subject of anarcho-capitalism and written by less-than-radical libertarian or even non-libertarian authors, the following are invaluable for a profound understanding of liberty, natural order, and the state.

John V. Denson's [The Costs of War](#) is a collection of essays by a distinguished group of libertarian and paleo-conservative scholars from various disciplines. Exposes the aggressive nature of the state. Possibly the most powerful anti-war book ever. Also to be recommended is Denson's collection [Reassessing the Presidency](#) on the growth of state power.

David Gordon's [Secession, State, and Liberty](#) is a collection of essays by contemporary philosophers, economists, and historians in defense of the right to secession.

[Friedrich A. Hayek, Law, Legislation, and Liberty](#), Vol. I, is an important study on the "spontaneous" evolution of law, and the distinction of law versus legislation and between private and public law.

Bertrand de Jouvenel, [On Power](#), is an outstanding account of the growth of state power, with many important insights concerning the role of the aristocracy as defender of liberty and mass democracy as a promoter of state power. Related, and likewise to be recommended is his [Sovereignty](#).

Etienne de la Botie, [The Politics of Obedience](#), is the classic 16th-century inquiry into the source of government power. La Botie shows that the state's power rests exclusively on public "opinion." By implication, every state can be made to crumble — instantly and without any violence — simply by virtue of a change in public opinion.

Bruno Leoni, [Freedom and the Law](#), is an earlier and in some regards superior treatment of topics similar to those discussed by Hayek. Leoni portrays Roman law as something discovered by independent judges rather than enacted or legislated by central authority — and thus akin to English common law.

Robert Nisbet, [The Quest for Community](#) (formerly published under the more descriptive title *Community and Power*) explains the protective function of intermediate social institutions, and the tendency of the state to weaken and destroy these institutions in order to gain total control over the isolated individual.

[The Journal of Libertarian Studies. An Interdisciplinary Quarterly Review](#), founded by Murray N. Rothbard and now edited by Hans-Hermann Hoppe, is an indispensable resource for any serious student of anarcho-capitalism and libertarian scholarship

The following JLS articles are most directly concerned with anarcho-capitalism.

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### **About the author**

*Antony P. Mueller is a professor of economics at the Federal University UFS in Brazil where he is also a member of the Center of Applied Economics. His main area of research is economics in the tradition of the Austrian school. He has published extensively in scholarly and special interest journals as well as in all major German and Swiss financial journals. He is an associate scholar of the Ludwig von Mises Institute in the United States and contributes also to the publications of the Mises Institutes of Brazil, Germany, and Canada. Antony Mueller earned his doctorate in economics from the University of Erlangen-Nuremberg, Germany.*

*Antony Mueller has recently published the book “Beyond the State and Politics. Capitalism for the New Millennium”, which is available at amazon.com as one volume and in four separate parts treating anarcho-capitalism, economic policy, the paths to prosperity, and economic destruction.*