initially achieved their wealth simply through success on the free market, then used their new economic position to lobby the state for favors.\textsuperscript{48} Such men were market entrepreneurs by necessity, until they had acquired enough money to play the political game, at which point many of them made the transition to political entrepreneurship with alacrity.\textsuperscript{49} Because Rand denied this, she saw no danger in market-based wealth per se; she failed to see how wealth that arises peacefully on the market can then be translated into political power, and as a result she severely underestimated the extent of “political pull” on the part of business interests. Hence her position comes perilously close to the Statocracy-Only view. For Rand, the only ruling class worth worrying about is the state itself.\textsuperscript{50}

Thanks in part to Rand’s influence, this attitude toward big business is fairly common in the conservative wing of the LibCap movement.\textsuperscript{51} For a conservative LibCap, the paradigmatic example of a special interest advancing its interests through government favoritism is that of impoverished welfare recipients—an unlikely candidate for a ruling class! If asked, a conservative LibCap will generally agree that corporate welfare exists and that it is bad, but conservative LibCaps nonetheless spend far more time and energy fulminating against subsidies to the poor than they do against subsidies to the affluent. Business interests are seen primarily as the “good guys,” the victims of governmental regulation. Such LibCaps tend to find themselves in sympathy with the “right,” as repre-

\textsuperscript{48} In the same way, Folsom (in \textit{The Myth of the Robber Barons}, p. 2), despite his caveat that “[n]o entrepreneur fits perfectly into one category or the other,” divides historical business figures rather too neatly into market entrepreneurs and political entrepreneurs, with the implausible result that John D. Rockefeller, of all people, comes out as a benign market entrepreneur untainted by political favoritism. One would scarcely guess from Folsom’s presentation that Rockefeller, like Morgan, was a vigorous lobbyist for federal regulation of industry; see, e.g., Kolko, \textit{The Triumph of Conservatism}, pp. 63–64, 78.

\textsuperscript{49} Of course, from the fact that they became political entrepreneurs, it does not follow that they necessarily ceased to act as market entrepreneurs; many businessmen pursued both strategies simultaneously. Rand’s assumption that no one who was succeeding by his own economic efforts would be interested in becoming a political parasite at the same time is unwarranted; her mistake was to read her own Manichaean ethical stance into other people’s motivations. Real people are messier and more complicated than the streamlined characters of an Ayn Rand novel.

\textsuperscript{50} This is not to say that Rand herself would put it this way. Randians generally eschew the language of class; for example, when the Libertarian Party Radical Caucus issued a statement that “American society is divided into a government-oppressed class and a government-privileged class, and is ruled by a power elite,” so that a distinction must be drawn “between those who hold state power and those who do not—between those who rule and those who are ruled . . . between two opposing classes with mutually exclusive relations to the state” (quoted in Schwartz, \textit{Libertarianism}, p. 17), the response of Randian orthodoxy was to dismiss this clearly Smithian-liberal analysis as “blatantly Marxist” (\textit{ibid.}, p. 17), with no apparent recognition of its pre-Marxist historical provenance.

\textsuperscript{51} By the conservative wing of the LibCap movement I mean the wing that tends to soften libertarian principles in a direction congenial to mainstream conservatives. The conservative/radical distinction within the LibCap movement does not necessarily line up neatly with the division between minarchists and anarcho-capitalists.
sented by, for example, the Republican Party in the United States and the Conservative Party in Britain. By contrast, the radical wing of the LibCap movement is more likely to see business interests, and their political apologists, as the enemy:

To a large degree it has been and remains big businessmen who are the fountainheads of American statism. If libertarians are seeking allies in the struggle for liberty, then I suggest that they look elsewhere . . . and begin to see big business as a destroyer, not as a unit, of the free market.\(^{52}\)

It is important for libertarians, of whatever ideological stripe, to recognize the existence of both statocratic and plutocratic classes. The relation between them is something like that between church and state in the Middle Ages: their interests overlap heavily but are not identical, so the two will commonly cooperate in holding down the people; but at the same time each wants to be the dominant partner, so they will frequently come into conflict as well. When the plutocracy gains the upper hand, the polity tends toward authoritarian capitalism (and sometimes a version of fascism); when the statocracy gains the upper hand, the polity tends toward authoritarian socialism. Left-wing and right-wing political parties (e.g., Labour versus Tory in Britain, Democratic versus Republican in the United States) may represent the interests of both factions, but not equally; left-wing parties can be seen as favoring a shift of power in the direction of the statocracy, while right-wing parties prefer to see the scales tip toward the plutocracy.\(^{53}\) Hence it is that mainstream political dialogue is restricted to disputes

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\(^{52}\) Childs, *Liberty against Power*, p. 45.

\(^{53}\) Charles Tilly has suggested an ingenious criterion to measure the degree to which one or the other of these classes is dominant. Drawing on categories developed by economic historian Frederic Lane, Tilly distinguishes between

(a) the monopoly profit, or *tribute*, coming to owners of the means of producing [governmental] violence as a result of the difference between production costs and the price exacted from ‘customers’ and (b) the *protection rent* accruing to those customers—for example, merchants—who drew effective protection against outside competitors. . . . If citizens in general exercised effective ownership of the government—O distant ideal!—we might expect the managers to minimize protection costs and tribute, thus maximizing protection rent. . . . If [instead] the managers owned the government, they would tend to keep costs high by maximizing their own wages, to maximize tribute over and above those costs by exacting a high price from their subjects, and . . . to be indifferent to the level of protection rent. . . . [This scheme] yields interesting empirical criteria for evaluating claims that a given government was “relatively autonomous” or strictly subordinate to the interests of a dominant class. Presumably, a subordinate government would tend to maximize monopoly profits—returns to the dominant class resulting from the difference between the costs of protection and the price received from it—as well as tuning protection rents nicely to the economic interests of the dominant class. An autonomous government, in contrast, would tend to maximize managers’ wages and its own size as well and would be indifferent to protection rents.

See Charles Tilly, “War Making and State Making as Organized Crime,” in Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge:
within the reigning authoritarian paradigm, while genuine challenges to top-down control as such are marginalized.\(^{54}\)

A plutocratic ruling class need not operate via conscious machinations, of course (though such machinations are not necessarily to be ruled out, either). A malign invisible-hand process may come into play instead. Suppose that a variety of governmental policies are proposed or adopted, perhaps at random. Those that adversely affect entrenched and concentrated interests will get noticed and become the object of attack. By contrast, those that injure the average person will meet with less opposition, since average people are too busy to keep track of what the government is doing, too poor to hire lawyers and lobbyists, and too dispersed to have an effective voice. Thus, legislation which is disadvantageous to the rich will tend to be filtered out, while legislation which is disadvantageous to the poor will not. Over time, this skews state action more and more in the direction of advancing the interests of the powerful at the expense of those of the weak.

Recognizing the existence of both plutocratic and statocratic classes helps to answer an objection brought by David Friedman\(^{55}\) against the whole concept of a ruling class:

Such a “ruling class” analysis fails to explain government activities, such as airline regulation, which consist mostly of destroying wealth, and the wealth of the rich at that. . . . It seems more reasonable to suppose that there is no ruling class, that we are ruled, rather, by a myriad of quarreling gangs, constantly engaged in stealing from each other to the great impoverishment of their own members as well as the rest of us.\(^{56}\)

Friedman is correct in pointing out that the state often does act in ways injurious to big business. But there is room for a middle ground between the idea of a monolithic ruling class and Friedman’s alternative of an amorphous collection of disparate pressure groups. A ruling class with

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\(^{54}\) Long, “Inmanent Liberalism,” p. 27 (text and note 61):

Under [statocracy], vast quantities of resources and power are transferred to the bureaucratic state, on the theory that some of these benefits will trickle down to the common people—while under [plutocracy], the bureaucratic state follows a “supply-side” policy of granting special privileges and protections to favored corporations, once again on the theory that some of these benefits will trickle down to the common people. . . . For example, the current debate over health care in this country may be seen as a struggle over the precise balance of power between, on the one hand, the state bureaucracy, and, on the other hand, the quasi-private beneficiaries of state privilege. . . .

\(^{55}\) Milton Friedman’s more radical, anarcho-capitalist son.

two cooperating but competitive factions, one statocratic and the other plutocratic, seems to have a great deal of explanatory power. (Nor is either faction completely unified internally; we are dealing with matters of degree.) If the business community controlled everything, we would not see such high capital gains taxes. On the other hand, if the business community were simply an exploited victim, we would not see such high levels of corporate welfare (i.e., subsidies, protections, and grants of monopoly privilege). Any position that focuses only on one class and ignores the other is unacceptably one-sided.

Yet this still leaves open the question: Is the power of the plutocratic class parasitic on the presence of a powerful state open to influence by the wealthy, or is political influence simply the consolidation of power already won on the market? In other words, once the Plutocracy-Dominant position is ruled out, which is closer to the truth: Statocracy-Dominant or Neither-Dominant?

Statocracy-Dominant is the orthodox position in the more radical wing of the LibCap movement. As against Chomsky’s claim that government is more accountable than business, LibCaps argue that in a genuinely free market, business is more accountable than government, since businesses must be responsive to customer needs in order to avoid losing them to competitors, while government is a monopoly and thus is insulated from the incentives that competition provides. What makes business power unaccountable, radical LibCaps argue, is government intervention in the economy that hinders competition (either through direct protections and subsidies for big business, or else indirectly through regulatory hurdles that in theory apply equally to everyone, but in practice disproportionately affect the less affluent who are less able to afford the fees, licenses, and lawyers required to engage in business). The radical LibCap position is recognizable as a resurrection of the Smithian-liberal position:

As soon as institutionalized predatory force begins to encroach upon legitimate voluntary social and economic human intercourse, a class of the exploited and a class of the exploiters is born. These political-economic classes, in turn, tend to maintain and exacerbate the socio-economic distinctions (that is, the distinctions of wealth, income, and status) which otherwise would remain far less rigid in a totally free market society where one’s mobility, both social and economic, would be far more dependent on one’s own merits. . . . Different groups . . . vie for control of the State apparatus . . . and one group, over the course of time, always finishes considerably “more equal” than the others. It is to this more powerful group that the wealth, plundered by the political means, accrues. In time this group becomes entrenched both politically and economically through its plundered wealth. . . . In the United States, for example, the net gain continues to flow to the corporate-financial super-rich. The middle-classes are the net losers as tax payers and as consumers. The poor probably pay
about as much as they receive in the more visible form of welfare. They pay, both directly and indirectly, through various forms of state-induced exploitation (such as exclusion from the work force by union restrictions, minimum wage rates, etc.). Thus, the poor are kept in their place through a kind of welfare colonialism, just as the State maintains the wealthy and relatively few in their favored class position.\textsuperscript{57}

But LibCaps do not have a monopoly on the Statocracy-Dominant position. LibSoc Alexander Berkman (1876–1936) noted that his LibCap opponents accept the Statocracy-Dominant view,\textsuperscript{58} but he also endorsed it himself: “It follows that when government is abolished, wage slavery and capitalism must also go with it, because they cannot exist without the support and protection of government.”\textsuperscript{59} Friedrich Engels also attributed the Statocracy-Dominant position to LibSoc Bakunin.\textsuperscript{60}


The state is not exploitative because it protects the capitalists’ property rights, but because it itself is exempt from the restriction of having to acquire property productively and contractually. . . Marxists are . . . correct in noticing the close association between the state and business, especially the banking elite—even though their explanation for it is faulty. The reason is not that the bourgeois establishment sees and supports the state as the guarantor of private property rights and contractualism. On the contrary, the establishment correctly perceives the state as the very antithesis to private property that it is and takes a close interest in it for this reason. The more successful a business, the larger the potential danger of governmental exploitation, but the larger also the potential gains that can be achieved if it can come under government’s special protection and is exempt from the full weight of capitalist competition. This is why the business establishment is interested in the state and its infiltration.


Individualist anarchists and Mutualists believe in individual ownership as against the communist anarchists who see in the institution of private property one of the main sources of injustice and inequality, of poverty and misery. . . . But, as stated, Individualist anarchists and Mutualists disagree with the communist anarchist on this point. They assert that the source of economic inequality is monopoly, and they argue that monopoly will disappear with the abolition of government, because it is special privilege—given and protected by government—which makes monopoly possible. Free competition, they claim, would do away with monopoly and its evils.

\textsuperscript{59} \textit{Ibid.}, p. 285.

\textsuperscript{60} Friedrich Engels, “Versus the Anarchists,” in Tucker, ed., \textit{The Marx-Engels Reader}, pp. 728–29:

Bakunin . . . has a peculiar theory of his own, a medley of Proudhonism and communism, the chief point of which is, in the first place, that he does not regard capital—and therefore the class antagonism between capitalists and wage-workers which has arisen through social development—but the state as the main evil to be abolished. While . . . our view [is] that the state power is nothing more than the organisation with which the ruling classes—landlords and capitalists—have provided themselves in order to pro-
But while the LibSoc tradition has its Chomskyan defenders of the Plutocracy-Dominant position and its Berkmanite defenders of the Statocracy-Dominant position, it is probably fair to say that most LibSocs have taken the intermediate Neither-Dominant position, regarding concentrated economic power and concentrated political power as coordinate evils to be combated, neither more fundamental than the other. Yet while LibSocs are more likely than LibCaps to adopt this view, it has had its LibCap adherents. For example, the individualist anarchist Benjamin Tucker (1854-1939)—essentially a LibCap, despite some LibSoc elements in his thought—seems to have moved from a Statocracy-Dominant to a Neither-Dominant position as his thought developed:

The high water mark of [Tucker’s] repute was his appearance as the spokesman for anarchism at the Conference of Trusts held by the Chicago Civic Federation late in the summer of 1899. In an environment in which his fellow speakers shared the conviction that the remedy for the trust problem lay in the extension of governmental restriction and supervision, Tucker [argued] that the trusts of their time were not the result of competition, but due to the denial of competition through other than economic means. Monopolies were created by the state through patent, copyright, and tariff legislation, through the system of land grants and centralization of finance in the hands of a few. He concluded by re-emphasizing his belief that the money monopoly was the most serious, and that “perfect freedom in finance would wipe out nearly all the trusts.” [But in later years] Tucker gradually lost enthusiasm, and in a postscript to a 1911 London edition of his State Socialism and Anarchism, he admitted that the anarchist solution for monopoly and the centralization of economic power in the hands of a minority was no longer applicable. Admitted Tucker, “The trust is now a monster which . . . even the freest competition, could it be instituted, would be unable to destroy,” since upon the removal of all existing restrictions on competition, “concentrated cap-

tect their social privileges, Bakunin maintains that it is the state which has created capital, that the capitalist has his capital only by the grace of the state. As, therefore, the state is the chief evil, it is above all the state which must be done away with and then capitalism will go to blazes of itself. We, on the contrary, say: Do away with capital, the concentration of all means of production in the hands of the few, and the state will fall of itself.

61 We can identify optimistic and pessimistic versions of this thesis. The optimistic version is that plutocracy and statocracy arise together and depend on each other, so that to vanquish one is to vanquish both. The pessimistic version is that each one is capable of exercising domination even in the absence of the other. The optimistic version seems to have greater affinity with the Statocracy-Dominant view than the pessimistic version has. Henceforth when I speak of the Neither-Dominant view I shall mean the pessimistic version.
ital” could set aside a sacrifice fund to remove any new competitors and continue the process of expansion of reserves.62

In other words, Tucker came to believe that a sufficient concentration of wealth could manage to stifle competition and retain its dominant position even in the absence of governmental assistance.63 Most LibCaps, however, retain confidence in either the Statocracy-Only or Statocracy-Dominant positions.

The differing attitudes of LibCaps, LibPops, and LibSocs concerning the relation between statocracy and plutocracy help to explain the ways in which these movements can be tempted to compromise with their authoritarian counterparts. If Libertarian Socialists and Libertarian Populists have sometimes flirted with authoritarian statism (of the leftist and rightist varieties, respectively), the tendency to downplay the importance of the statocratic class is part of the reason. If Libertarian Capitalists have sometimes soft-pedaled the influence of corporate power, the tendency to downplay the importance of the plutocratic class is part of the reason. LibSocs have on occasion acted as apologists for Marxist regimes. Also, political activists with strong LibSoc leanings (I am thinking of American figures like Ralph Nader and Jerry Brown) frequently call for a larger and more powerful government, while even Noam Chomsky, the self-professed anarchist and foe of all concentrated power, advocates national health care and public control of the airwaves. These positions are motivated in large part by the perception that the power of the plutocracy is the real evil to be combated, and that the danger from statocracy is comparatively minor. This opens the door to authoritarian socialism.

LibPops largely share the LibSoc focus on the evils of plutocracy, but with a difference. LibSocs tend to think of business power as an institutional or systemic problem; but LibPops, in part because of their religious concerns, are more likely to see it in personal terms, as a matter of wickedness in high places. Hence, LibPops are more prone to conspiracy theories than are LibSocs.64 But seeing social problems as deriving from

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63 Another LibCap who may endorse a version of the Neither-Dominant position is Herbert Spencer, who, despite his well-known conquest theory of state origination, traces the origin of class domination not to the organized violence of a state or proto-state, but rather to the division of labor—above all, to the division of labor between the sexes, which leads to the oppression of women by men. It is with the subjection of women, Spencer argues, that a distinction between ruling and ruled classes first emerges. (Spencer, *The Principles of Sociology*, vol. 2 [New York: D. Appleton, 1884], pp. 288–91, 643–46.) Spencer looks forward to an eventual end to class domination, but he puts his faith less in market forces than in the progressive moral development of the human race. (For other versions of the conquest theory of state origination, see Franz Oppenheimer, *The State*, trans. John Gitterman [Montreal: Black Rose, 1975]; and Alexander Rüstow, *Freedom and Domination: A Historical Critique of Civilization*, trans. Salvator Attanasio [Princeton: Princeton University Press, 1980].)

64 Conspiracy theories as such should not necessarily be regarded as inherently suspect. After all, the greater the extent to which power is concentrated in a society, the easier it is to
the immorality of individuals rather than from system-wide incentives makes LibPops more amenable to the idea that the system might work if good people took it over; it also makes them more susceptible to the suggestion that perhaps it is the wrong cultural or ethnic groups that have gotten in power. This opens the door to authoritarian populism.

On the other side, LibCaps’ tendency to de-emphasize the power of plutocracy can lead them to severely underestimate the maleficent influence of big business in society, and to downplay the plight of the poor. LibCaps, especially conservative-leaning ones, can be too quick to see existing capitalism as an approximation to the free market they cherish, and to defend it accordingly. When LibCaps blame the government for harming the poor, they are all too likely to use the conservative argument that handouts create a welfare mentality and a culture of dependence, without the distinctively libertarian supplement that government regulations actually prevent the poor from rising out of poverty.

Insufficient sensitivity to the power of plutocracy can also lead LibCaps to be peculiarly blind to the reasons that free trade is opposed by many LibPops and LibSocs. LibCaps argue that when big corporations decide to cut costs by increasing their reliance on inexpensive foreign parts and labor, domestic laborers and producers of parts may indeed suffer an income loss as the price of their goods and services is pushed down by foreign competition, but that loss in income that they face in their role as laborers and producers will be offset by the lower prices they face in their role as consumers. But this argument assumes that the big corporations will pass their savings on to their customers. This is something they will indeed be compelled to do in a vigorously competitive market, to avoid being undersold by rival firms; but if government regulations tend to insulate the big corporations from competition, those corporations can pocket the savings with impunity. Citizens will receive lower incomes in their role as producers, without seeing any compensating drop in prices in their role as consumers. So when LibSocs and LibPops describe free trade as a redistribution from small manufacturers to giant corporations, they are often quite right. The answer LibCaps should be giving is that the fault lies not with free trade (the presence of foreign competition) but with regulation (the strangling of domestic competition); but instead LibCaps all too often dismiss protectionist arguments as motivated by an irrational anti-business bias.

An excessively rosy view of actually existing capitalism has also led LibCaps—who were once in the vanguard of the struggle for women’s
equality—to be quite insensitive to the obstacles faced by women in the marketplace. This is true even among those LibCaps with the highest feminist consciousness. For example, Wendy McElroy, a self-described “individualist feminist,” writes:

The notion of women as a distinct class presents a difficult problem for Marxists. Orthodox Marxism distinguishes classes solely according to economic criteria (the ownership of the means of production), not according to sexual characteristics. By this theory, women belong either to the exploited working class or to the exploiting ruling class; individual women can be laborers or capitalists. There is no unity provided by sharing a common sex. It is therefore difficult for Marxists to define women as a sex.

Marxist feminists have offered different solutions to this dilemma. The most popular of these seems to be the postulating of a dual system; capitalism and patriarchy are viewed as separate systems which coexist and support each other. Thus, women can be categorized not only according to their economic status as workers, but also according to sex.\(^{65}\)

This solution seems plausible enough; but McElroy will have none of it:

Feminism is based on the idea of women as a “class.” . . . The libertarian theory of justice applies to all human beings regardless of secondary characteristics such as sex or color. Every human being has moral jurisdiction over his or her own body. To the extent that laws infringe upon self-ownership, they are unjust. To the extent that such violation is based upon sex, there is room for a libertarian feminist movement. Women become a political class not due to their sexual characteristics but because the government directs laws against them as a group. As a political class, feminism is a response to the legal discrimination women have suffered from the state. . . . Although discrimination may always occur on an individual level, it is only through the political means that such discrimination can be institutionalized and maintained by force.\(^{66}\)

McElroy seems unwilling to consider the possibility of institutionalized discrimination not supported by state action. In general, because of their focus on combating statocracy, LibCaps often have trouble recognizing entrenched power except when it comes attached to some governmental office. This may also explain why in recent years some writers associated with the LibCap movement have been attracted to theories of innate

\(^{65}\) McElroy, Freedom, Feminism, and the State, pp. 21–22.

\(^{66}\) Ibid., pp. 22–23.
sexual and racial superiority.\textsuperscript{67} If women and minorities systematically lose out on the market, despite the absence of explicitly discriminatory laws aimed at impeding their success, then this failure cannot be the fault of the beloved market—so perhaps it indicates inherent inferiority!

In my judgment, each of the three libertarians needs to do two things. First, clean house—that is, free itself from the tendency toward its authoritarian counterpart. Second, enter into dialogue with the other two libertariansisms, to gain a better understanding of its rivals’ positions\textsuperscript{68} and to correct some of the one-sidedness in its own.

V. TWO CHEERS FOR SMITH, ONE CHEER FOR ROUSSEAU

As we have seen, on the issue of what a ruling class is and how it achieves and maintains power, there is a spectrum of possible positions from Plutocracy-Only at one end to Statocracy-Only at the other. Plutocracy-Only is rejected by almost all libertarians. As for the remaining views, the portion of the spectrum ranging from Plutocracy-Dominant through Neither-Dominant to Statocracy-Dominant is largely the domain of Lib-Socs and LibPops, while the remainder of the spectrum from Statocracy-Dominant to Statocracy-Only is occupied primarily by LibCaps. Plutocracy-Only, Plutocracy-Dominant, and Statocracy-Only have been seen to rest on highly unrealistic assumptions about human nature. This leaves the field to be disputed between the Statocracy-Dominant and Neither-Dominant positions. Which should libertarians favor?

I suggest that neither contestant is adequate. The Statocracy-Dominant position underestimates, while the Neither-Dominant position overestimates, the ability of wealthy elites to maintain dominance in the absence of government favoritism. The truth, I hope to show, lies in a position intermediate between the two, which I shall accordingly call the Statocracy-Mostly-Dominant view.

The fatal flaw in the Statocracy-Dominant view is its limited historical applicability. The political communities of the classical world—the city-states of Greece, as well as the Roman Republic—had surprisingly weak and decentralized governments, with nothing we would recognize as a police force.\textsuperscript{69} Yet, notoriously, these city-states were class societies, in which powerful elites managed to maintain dominance. The same is true of medieval Iceland, whose political institutions were so decentralized


\textsuperscript{68} Currently each tends to accept a distorted stereotype of the other two. More specifically, each libertarian group tends to be seen, by the other two, through the lens of its authoritarian counterpart: LibSocs are seen as Stalinists, LibCaps as fascists, LibPops as neo-Nazis.

\textsuperscript{69} A regular police force was not introduced in Rome until the Empire, during the reign of Augustus.
that they hardly count as a government at all. Where did the power of the ruling class come from, if not from a powerful state?

The most plausible answer has been offered by the historian Moses Finley: ruling classes maintained their power through the device of patronage:

The ancient city-state had no police other than a relatively small number of publicly owned slaves at the disposal of the different magistrates [and] the army was not available for large-scale police duties until the city-state was replaced by a monarchy. . . . The ancient city-state was a citizen militia, in existence as an army only when called up for action against the external world. [Yet] a Greek city-state or Rome was normally able to enforce governmental decisions. . . . If Greek and Roman aristocrats were neither tribal chieftains nor feudal war lords, then their power must have rested on something else . . . [namely,] their wealth and the ways in which they could disburse it.70

In effect, the wealthy classes kept control not through organized violence but by buying off the poor. Each wealthy family would have a large following of commoners who served their patrons’ interests (e.g., supporting aristocratic policies in the public assembly) in exchange for the family’s largesse.

Finley offers an example from Athens:

[Solon established] the right given to a third party to intervene in a lawsuit on behalf of someone who had been wronged. . . . No classical state ever established a sufficient governmental machinery by which to secure the appearance of a defendant in court or the execution of a judgment in private suits. Reliance on self-help was therefore compulsory and it is obvious that such a situation created unfair advantages whenever the opponents were unequal in the resources they could command. The Solonic measure and [similar] Roman institutions . . . were designed to reduce the grosser disparities, characteristically by a patronage device rather than by state machinery.71

This aristocratic device of offering to defend the suits of the poor and weak has been used in more recent societies too as a means of consolidating power; consider the case of Anglo-Saxon England. As Tom Bell writes:

71 Ibid., p. 107.
Two factors prepared the stage [for political centralization]. First, the constant threat of foreign invasion, particularly the Danes, had concentrated power in the hands of England’s defenders. Second, the influence of Christianity imbued the throne with a godly quality, allowing kings to claim a divine mandate. Onto this stage strode Alfred, king of Wessex, during the last quarter of the ninth century. [Alfred] volunteered to champion the cause of the weak—for a fee. Weak victims sometimes found it difficult to convince their much stronger offenders to appear before the court. Kings balanced the scales by backing the claims of such plaintiffs. This forced brazen defendants to face the court, where they faced the usual fines plus a surcharge that went to the king for his services. [This] made enforcing the law a profitable business. King Alfred, strengthened by threat of invasion and emboldened by his holy title, assumed the duty of preventing all fighting within his kingdom. He did this by extending the special jurisdiction which the king had always exercised over his own household to cover the old Roman highways and eventually the entire kingdom.  

By beginning the process of political centralization in England, King Aelfred (or Alfred) paved the way for the loss of English liberty; for when the Norman invaders conquered England two centuries later, they found an embryonic centralized structure already in place for them to take over—a skeleton to which they quickly added flesh.

Note Bell’s reference to the threat of Viking invasions from Denmark as a factor contributing to Aelfred’s power. The threat of war played a similar role in early Republican Rome. Whenever the plebeians seemed on the verge of winning too many political concessions, the patricians would endeavor to involve Rome in a war. This gave the patricians an excuse to put off the plebeians’ demands in the name of national unity. The Roman historian Livy describes a typical instance:

[The tribunes advanced] a bill by which the people should be empowered to elect to the consulsiphip such men as they thought fit.... The senatorial party felt that if such a bill were to become law, it would mean not only that the highest office of state would have to be shared with the dregs of society but that it would, in effect, be lost to the nobility and transferred to the commons. It was with great satisfaction, therefore, that the Senate received a report ... that troops from Veii had raided the Roman frontier.... [T]he Senate ordered an immediate raising of troops and a general mobilization on the largest possible scale ... in the hope that the revolutionary proposals which the tribunes were bringing forward might be forgotten. ... Canuleius

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[the tribune] replied . . . that it was useless for the consuls to try to scare the commons from taking an interest in the new proposals, and [declared] that they should never, while he lived, hold a levy [for military service] until the commons had voted on the reforms. . . .

As Livy indicates, involving Rome in a war also gave the plebeians some leverage; for they could refuse to march to war until their demands were satisfied. Such situations often deteriorated into games of chicken between the patricians and the plebeians: the patricians would refuse to yield, and the plebeians would refuse to arm, while the enemy marched closer and closer. Eventually one or the other would lose nerve first; the patricians would give in and accept the tribunes' reforms, or else the plebeians would agree to fight off the enemy without having gained the desired concessions. But the patricians must presumably have won these games more often than they lost them—because it was almost always the patricians who initiated them. (And even the patricians' losses were seldom serious. For example, the plebeians eventually won the concession to which Livy refers—the right to elect plebeians to the consulship—but thanks to an effective patronage system, the plebeians almost always elected patricians to the office anyway.)

States fight wars because those who make the decision to go to war (or create the climate that makes other nations likely to go to war against them) are distinct from those who bear the primary costs of the war. (The internal class structure of states thus makes it a mistake to treat potentially adversarial states as if they faced incentives to cooperate analogous to those faced by potentially adversarial individuals.) We have seen in the Roman case that a ruling class can use war to advance its agenda even in the absence of strong centralized power.

Even in the modern nation-state, which does not suffer from a lack of centralized power, the influence of statocracy and plutocracy alike depends at least as much on old-style patronage as on the direct use of force. As the sixteenth-century political theorist Étienne de la Boétie pointed out in his classic Discourse of Voluntary Servitude, no government can wield enough coercive force to subdue an unwilling populace; thus, even the absolutist monarchy of Renaissance France rested in the end on patronage:

It is not the troops on horseback, it is not the companies afoot, it is not arms that defend the tyrant. This does not seem credible on first thought, but it is nevertheless true that there are only four or five who maintain the dictator, four or five who keep the country in

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74 That is why in classical times aristocratic political parties in Greece and Rome always preferred elections over the Athenian practice of choosing officials by lot.
bondage to him. Five or six have always had access to his ear, and have either gone to him of their own accord, or else have been summoned by him, to be accomplices in his cruelties, companions in his pleasures, panders to his lusts, and sharers in his plunders. . . . The six have six hundred who profit under them. . . . The six hundred maintain under them six thousand, whom they promote in rank, upon whom they confer the government of provinces or the direction of finances. . . . And whoever is pleased to unwind the skein will observe that not the six thousand but a hundred thousand, and even millions, cling to the tyrant by this cord to which they are tied.75

The problem for the Statocracy-Dominant view, then, is this: since patronage appears to be an effective tool for maintaining class privilege even in the absence of a powerful state, then even if the power of the statocracy were broken, so long as economic inequalities were not abolished at the same time, would not the rich be able to maintain the status of a plutocratic ruling class by buying off the poor (and perhaps use this power to reestablish a statocracy as well)?

Yet we should not be too quick to rush to the Neither-Dominant view instead. There is an important kernel of truth in the Statocracy-Dominant view that the Neither-Dominant view ignores. Consider all the ways in which the statocracy holds down the poor and prevents them from rising through their own abilities: minimum-wage laws increase the cost to businesses of hiring unskilled workers, and thus decrease the supply of such jobs, causing unemployment; rent-control laws increase the cost to landlords of providing housing, and thus decrease the supply of such housing, causing homelessness; licensure laws, zoning restrictions, and other regulations make it nearly impossible for the poor to start their own businesses.76 All these laws conspire, whether by intention or otherwise, to entrench the more affluent in their current positions by keeping the poor poor and unable to compete.77 Similar principles apply higher up the economic ladder, as tax laws and economic regulations entrench the power of big corporations by insulating them from competition by smaller businesses (and incidentally helping to ossify the favored corporations into sluggish, hierarchical, inefficient, irresponsible monoliths). Having rendered the poor unable to help themselves effectively, government then

76 Two examples: urban black teenagers have been prosecuted for offering hair-braiding services without benefit of expensive beauticians’ degrees; and in many cities, a taxi license costs as much as $100,000. Such low-capital enterprises as hair-braiding and taxi service are natural avenues for people of modest means to start earning money and achieving independence; but the coercive power of the state closes such avenues off.
77 I do not mean to imply that these results were consciously aimed at by the wealthy. Rather, plutocratic interests frequently shape public policy unintentionally, via the “malign invisible hand” mechanism described earlier (in Section IV).
makes itself seem indispensable to them by giving them handouts via welfare; but at the same time, the state is vigorously redistributing money up the economic ladder via corporate welfare and the like.

Moreover, in addition to crippling the poor, government magnifies the power of the wealthy. Suppose Daddy Warbucks wants to achieve some goal that costs one million dollars. Under a free-market system, Warbucks has to cough up one million of his own dollars in order to achieve this goal. If a powerful state is present, however, Warbucks has the option of (directly or indirectly) bribing some politicians or bureaucrats to the tune of a few thousand dollars to persuade them to divert a million dollars of taxpayers' money to Warbucks's favored project. Since the politicians are spending other people's money rather than their own, they lose nothing by the deal.

Centralized state power—in its effects, regardless of its intentions—is Robin Hood in reverse: it robs from the poor and gives to the rich. Government regulation has the same effect on the economy that molasses has on an engine: it slows everything down. The more hoops one has to jump through in order to start a new venture—permits, licenses, taxes, fees, mandates, building codes, zoning restrictions, etc.—the fewer new ventures will be started. And the least affluent will be hurt the most. The richest corporations can afford to jump through the hoops; they have money to pay the fees and lawyers to figure out the regulations. Small businesses have a tougher time, and so are at a comparative disadvantage. For the poor, starting a business is close to impossible. Thus, the

78 This leads conservatives, and some conservative-leaning LibCaps, to see the poor as beneficiaries of statism—parasites feeding at the public trough. A more realistic assessment would see the poor as net losers, since the benefits received through welfare are rarely large enough to compensate for the harms inflicted through regulation.

79 For example, the recent debate over farm policy in the United States has largely ignored the fact that most agricultural subsidies go to giant agribusiness conglomerates rather than to family farms. Another example is government support for higher education—a benefit received disproportionately by members of the middle class, yet funded through taxes by lower-class workers who cannot afford to postpone their earnings for four years. But one of the worst instances of upward redistribution is inflation, caused by government manipulation of the currency. An increase in the money supply results in an increase in prices and wages—but not immediately. There is some lag time as the effects of the expansion radiate outward through the economy. Under central banking, the rich—i.e., banks, and those to whom banks lend—get the new money first, before prices have risen. They systematically benefit, because they get to spend their new money before prices have risen to reflect the expansion. The poor systematically lose out, since they get the new money last, and thus have to face higher prices before they have higher salaries. (Moreover, the asymmetrical effects of monetary expansion create artificial booms and busts, as different sectors of the economy are temporarily stimulated by early receipt of the new money, encouraging overinvestment that goes bust when the boom proves illusory. The unemployment caused by this misdirection hurts the poor most of all.)

80 "The high cost of aggression makes it a tool of the rich. Only the well-to-do can afford to lobby, bribe, or threaten our elected representatives effectively." Mary Ruwart, Healing Our World: The Other Piece of the Puzzle, rev. ed. (Kalamazoo: SunStar, 1993), p. 154. Ruwart's book is a rich source of examples of how big government tends to help the wealthy and hurt the poor.
system favors the rich over the middle class, and the middle class over the poor.

When one considers the enormous extent to which the wealthy owe to state intervention their position of dominance over the poor and middle class, it is hard to believe there isn’t some truth to the Statocracy-Dominant view. Surely the elimination of statocratic rule would have to shift the balance of power between rich and poor much farther in the poor’s favor than is the case today. These arguments suggest the Smithians were on to something. On the other hand, history shows us that the power of patronage gives the rich substantial clout even in the absence of governmental favoritism; so the Statocracy-Dominant view cannot be the whole story. Classes should not be defined in solely economic terms or in solely political terms. There are groups in society who depend heavily on the power of the state for their dominant position, but who would still pose a serious threat to liberty even in the absence of state favoritism. Libertarians need to think seriously about ways of checking their power.

For LibSocs and LibPops, this might involve using compulsory means to eliminate certain socioeconomic inequalities; but, ethical worries aside, the question is whether this can be practically achieved without a centralized state apparatus of the sort that we have seen tends to become inherently exploitative itself. For LibCaps, coercive expropriation of the wealthy is not an option, but in that case LibCaps need to consider what capitalistically permissible resources may be available to them to combat the problem. This is a problem that libertarians of all schools need to explore in light of the fact that plutocratic power is largely but not solely dependent on statocratic power. (As I’ve noted, I call this the Statocracy-Mostly-Dominant view.)

81 An adequate theory of class would also have to distinguish more groups than just “rulers” and “ruled.” As Chomsky writes: “[T]o do a really serious class analysis, you can’t just talk about the ruling class. Are the professors at Harvard part of the ruling class? Are the editors of the New York Times part of the ruling class? Are the bureaucrats in the State Department? There are differentiations, a lot of different categories of people” (Keeping the Rabble in Line, p. 109). Dividing the ruling class into statocratic and plutocratic factions is valuable as a start, but only as a start.

Libertarian sociologist Phil Jacobson, whose work draws on both the LibCap and LibSoc traditions, is making some valuable developments in this area. Jacobson distinguishes three main groups: the Idea, Force, and Wealth classes. These basically correspond to the priests, warriors, and merchants of traditional class theory: Plato’s philosopher-kings, auxiliaries, and craftsmen; India’s brahmins, kshatriyas, and vaishyas. In turn, each of these three groups is subdivided into two factions with somewhat divergent interests. The Wealth class is divided into a symbol-manipulation component (e.g., banking and finance) and a physical-reality component (e.g., actual manufacturing). The Force class is likewise divided into a symbol-manipulation component (e.g., politicians) and a physical-reality component (e.g., police and the military). The Idea class is all symbol-manipulation, but can be divided into elite-culture and popular-culture groups (i.e., intellectuals versus entertainers). Jacobson analyzes social change in terms of the interaction and shifting alliances among these six groups.

82 Perhaps the ancient republican theorists—particularly the Athenian democrats (as opposed to the more oligarchy-friendly proponents of the “mixed constitution”)—deserve a second look.
There may be grounds for optimism, though. Patronage might pose less of a threat in a modern, industrialized, commercial society than in ancient Rome or medieval Europe. Perhaps such earlier societies, despite their nearly stateless character, failed to develop in a libertarian direction because they came closer to having only a fixed pie of resources to fight over. Conceivably, the release of creative energy made possible by the Industrial Revolution, together with the rapid increase in the standard of living which resulted for the working classes, and the accompanying social mobility that upset traditional hierarchies, has made a ruling class impossible without the aid of a centralized state.

The increasing pluralization of society may be a positive factor as well. In the passage on King Aelfred quoted earlier, Bell noted that religious ideas about royal authority helped the English kings to centralize their power. Religion was a similar factor in Rome, where the patricians were also the priestly class, being the only ones permitted to “take the auspices” (an official ceremony of divination required at most public occasions). We find a similar development in stateless Iceland, where the godhar (chieftains) who ruled via patronage were also priests—first pagan and later Christian. In a society characterized by religious uniformity, it is much easier for a single group to claim a religious (or other traditional) sanction for its authority. By contrast, in modern society, with its religious, ethnic, and cultural diversity, it would be much harder for any single group to succeed in demanding allegiance.

VI. Collective Action: A Puzzle for Libertarian Capitalists

The whole question of class is intimately related to the issue of collective action, for it is by collective action that a ruling class maintains power—and likewise by collective action, sometimes, that a ruling class is overthrown. How easy, or difficult, would collective action be in a libertarian society? LibCaps, in particular, seem to be committed to giving inconsistent answers to this question. When the collective action in question is something good or desirable, LibCaps are confident that market incentives and natural human sympathies will unite to bring the collective action about without the need for coercive coordination from government. But when it comes to harmful or unpleasant collective action (including the formation of a plutocratic ruling class), this, LibCaps are sure, can flourish only with the help of state intervention, and will quickly

83 And when they were not Christian priests, they at least maintained exclusive control over Church lands—and their associated tithe revenues.
84 The role of ideology in supporting a ruling class is considerable. “An exploiter creates victims, and victims are potential enemies. It is possible that this resistance can be lastingly broken down by force, as, for example, in the case of a group of men exploiting another group of roughly the same size. However, more than force is needed to expand exploitation over a population many times [the exploiter’s] own size. For this to happen, a firm must also have public support. A majority of the population must accept the exploitative actions as legitimate” (Hoppe, “Marxist and Austrian Class Analysis” [supra note 57], pp. 84–85).
wither and die when exposed to the light of freedom and economic rationality.

Consider the problem of racial and sexual discrimination. Discriminatory hiring practices represent a form of collective action, in that a pattern of discrimination against the same groups occurs in society.\textsuperscript{85} Discrimination is a problem that LibCaps like to think would be solved by the free market. Firms that choose their employees on the basis of race and gender, instead of on the basis of merit, will end up with a less capable workforce, and the firm’s overall performance will suffer, thus exposing it to the risk of being edged aside by its competitors. Thus, rational firms, in their pursuit of the economic bottom line, will have to abandon their discriminatory practices on pain of losing out to the competition. In this way, \textit{Homo economicus} comes to the LibCaps’ rescue: racism and sexism are simply too expensive. They represent costly luxuries in which a competitive firm cannot afford to indulge—unless governmental favoritism shields it from competition, thus subsidizing bigotry by lowering its cost.

This argument assumes that economic self-interest is likely to be a more powerful motive than such purely emotional motives as racial and sexual prejudice. LibCaps do not always make this assumption, however. When it comes to the provision of public goods, then LibCaps suddenly start to heap scorn on the narrow \textit{Homo economicus} conception of human motivation that had served them in such good stead in the prejudice case. Now LibCaps want to insist that economic self-interest is not the only human motive, that incentives such as conscience and solidarity can override the quest for profit. The relentless concern for the bottom line that turned up so conveniently to impede harmful collective action, now just as conveniently drops out so as not to impede beneficial collective action. What entitles LibCaps to this double standard?

All human motivations can be divided into three categories, which I shall label, rather simplistically, \textit{love}, \textit{hate}, and \textit{greed}. Under \textit{love} I rank all those motives that have as their end the satisfaction of the legitimate interests of other people. Under \textit{hate} I rank all those motives that have as their end the frustration of those interests. And under \textit{greed} I rank all those motives whose ends make no essential reference to the interests of others one way or the other.\textsuperscript{86} (A person acting from greed may harm or benefit others, but only insofar as doing so happens, under the circum-

\textsuperscript{85} If discrimination did not follow a common pattern, it would be far less problematic. That is, if it were a purely \textit{random} matter which groups were discriminated against by any one employer, then those who experienced discrimination from a given employer could be sure of finding plenty of other employers who lacked that particular prejudice. The prejudice might still be a vice, to be sure, but it would at least be a harmless vice. It is only when there is a consistent and widespread prejudice throughout society against certain groups that members of those groups find themselves \textit{systematically} disadvantaged across the board. This result is what makes discrimination so especially objectionable.

\textsuperscript{86} As defined, the three categories are meant to be exhaustive: one either aims to help, or aims to harm, or does not aim at either helping or harming. (The term “\textit{greed}” is not meant to be pejorative; it is simply a useful shorthand for any motive that does not involve the welfare of others, whether or not that motive is “self-interested” in any strong sense.)
stances, to advance her ends. Greed as such is indifferent to the interests of others.)

The first thing we should recognize is that motives of all three varieties are available in plentiful supply. Any account of human nature that emphasizes just one of these motives at the expense of the other two can safely be dismissed as unrealistic.

Now we can see that the standard LibCap responses to the public-goods and prejudice problems seem to assume that greed is stronger than hate but weaker than love. When the racist employer hires the minorities he despises because it is good for business, greed is conquering hate. When the public-spirited citizen contributes to a public good out of a sense of moral duty or community solidarity, love is conquering greed.

It would be delightful, of course, if greed could be counted on to be strong in its conflicts with hate and weak in its conflicts with love. But we know, all too well, that motives of hate can often conquer motives of love; so there is no guarantee that love is always strong and hate is always weak. Thus, it is not implausible that hate should often be strong enough to conquer beneficent greed, or that love should often be too weak to prevail against harmful greed.

A similar tension can be found in LibCap discussions of conflicts between different kinds of greed. Consider the many cases in which it is in my long-term interest to acquire a reputation as a cooperator, while it is in my short-term interest to renege on cooperation just this once. In the absence of statocratic interference, which are people more likely to do?

When the cooperation is a beneficial one, LibCaps rush to say that long-term greed will win out. Citing such works as Robert Axelrod’s *The Evolution of Cooperation*, they point out that cooperators, by developing a reliable reputation, will attract a cluster of like-minded cooperators to them, whereas habitual defectors will be shunned and excluded from the benefits of cooperation, so that both market competition and natural selection will tend to make cooperation prevail as a strategy. Actors in the market will realize that the benefits of keeping to a consistent policy of cooperation outweigh the meretricious short-term gains of opportunistic defection.

Sometimes cooperation is not so nice, however, and then LibCaps tend to have a different attitude. Consider the standard LibCap response to the problem of cartels. In an unregulated free market, what would prevent profit-minded firms from joining together and agreeing to keep prices high, or wages low? LibCaps usually answer that once the cartel is in place, it is in the interest of any individual member to break the agreement by selling at a slightly lower price or hiring at a slightly higher wage, so as to win all the other members’ business for oneself. Soon, LibCaps like to predict, all the members will be tempted into trying the same strategy, and the cartel will collapse. (For similar reasons, a plutocratic ruling class is supposed to be impotent in the absence of government support.)
But what has now become of the idea that rational individuals will choose to maintain a system of cooperation rather than defect for the sake of immediate gain? Axelrod has been thrown to the winds: short-term greed, so fragile a hindrance to beneficial cooperation, now proves itself a powerful bulwark against harmful cooperation, while long-term greed, on the other hand, has dwindled from its former glory as guardian angel of cooperation, and now is nowhere to be seen.\(^87\) The balance of motivational power between long-term and short-term greed keeps swinging back and forth as needed. This is cause for LibCaps to worry.

The problem I have been describing should make LibCaps uncomfortable, but it should not necessarily drive them to despair. After all, the mechanisms that LibCaps like to trumpet have actually proven successful in the real world in a great many cases.

Consider first the case of prejudice. It is no coincidence that there were Jim Crow laws in the pre-civil-rights South. White racists were unwilling to rely on voluntary compliance alone to keep blacks “in their place,” and this reluctance on their part was a shrewd one. The famous segregated buses in Montgomery, Alabama, were segregated by law, not by the choice of the bus company. In fact, the bus company had petitioned, unsuccessfully, to get the law repealed—not out of love (i.e., concern for the equal rights of blacks) but out of greed (i.e., the policy was costing it customers). So LibCaps are quite right in thinking that racism can be undermined by a concern for the bottom line (though it would be naive to assume that it must always be so undermined; people do care about things other than money, and some of those things are pretty repugnant).

It is also true, of course, that people voluntarily contribute to good causes all the time. The amount of money given to charity every year (over and above taxes) is staggering. So love frequently does defeat harmful greed, while beneficial greed likewise defeats hate.

Similar remarks apply to the issue of long-term versus short-term greed. On the one hand, beneficial collective action occurs all the time without coordination by government; our cooperative impulses are the product of evolution, and are further reinforced by our social environment. To pick just one example mentioned by Axelrod, soldiers on opposite sides of World War I trench warfare found it in their mutual interest to coordinate their firing patterns in such a way that each side would know when and where the other was going to fire and so could avoid injury. Score one for Axelrod, it seems. On the other hand, history is full of cartels collaps-\(^87\) This now-you-see-it-now-you-don’t phenomenon proves particularly embarrassing for LibCap defenders of free-market anarchism. What ensures that, in the absence of government, private protection agencies will choose to resolve their differences through arbitration rather than violent conflict? The typical answer is: Long-term greed, which recognizes that the value of maintaining a system of cooperation outweighs the value lost by submitting to arbitration. But what ensures that these protection agencies won’t merge into a giant cartel, thus, in effect, bringing back government and a new ruling class? The typical answer is: Short-term greed, which undermines cartel agreements in the usual way.
ing because of members’ breaking the agreement in order to reap the benefits of underselling; one such defection (by Kuwait against its oil partner Iraq) triggered the Gulf War. Score one against Axelrod, it seems.

These examples may serve to reassure LibCaps that their analyses of collective action problems are not simply drawn from some fantasy world unconnected to reality. But can anything more than this be said for the LibCap position? I think perhaps it can.

We would have stronger reasons for confidence in the prospects for a successful LibCap society if we had some reason to think that the motives for harmful cooperation had some weakness, some fatal flaw, which the motives for beneficial cooperation did not share. I think there is at least one such weakness.

Notice that the motives for harmful cooperation are motives for *selective* cooperation. The white racist who cooperates with other white racists in discriminating against blacks is not taking a cooperative attitude toward the blacks themselves; likewise, those who cooperate to form a cartel are colluding to engage in decidedly noncooperative behavior toward their customers. In both cases, the cooperation in question is cooperation for mutual advantage *within* a select group, and is directed *against* the advantage of those excluded from the group. Such cooperative ventures are easier to undermine *when there is free competition*, because they create a large group of excluded people who have an interest in seeing that cooperation fail, and this group constitutes an attractive market for any entrepreneur interested in defying the cooperative venture.

To be sure, pressure *within* a selectively cooperative venture of the kind I have described may be strong enough to discourage defections. The racist, tempted by profit to hire the qualified black over the unqualified white, may think again when he realizes he will be subject to severe social sanctions from his fellow racists within the community. The pull of the bottom line can be quite limited in the face of social ostracism by one’s peers.

But that is precisely why I stress the importance of free competition. The beneficent power of greed in overcoming harmful cooperative ventures lies not so much in its ability to undermine the venture from within, as in its ability to attract rival cooperative ventures to outcompete the bad ones. The white racist who has lived all his life in Kluxville may prefer social conformity to profit, but if the resulting low wages for blacks in the Kluxville area serve as a cheap-labor magnet motivating Amalgamated Widgets to open a new plant in Kluxville, the folks who run Amalgamated Widgets may not care that much if the whites in Kluxville shun them; they already have their own peer group, after all.

The ease with which the greed of outsiders can defeat the hate of the exclusive group (or, switching to the cartel situation, the ease with which the short-term greed of outsiders can defeat the long-term greed of the exclusive group) depends on the degree of competition. If regulations
make it extremely difficult to start new ventures or expand old ones, then there will be a smaller number of long-established players, insulated from competition and therefore free to try their hand at harmful cooperation. (It is in this sense that governmental regulation may be described as subsidizing racism and cartelization.)\textsuperscript{88} The easier it is for a new venture to start up, the easier it is for harmful cooperative ventures to be undermined from without. Assuming free competition is present, it is the selectivity of harmful cooperation that sounds its death knell.

Beneficial cooperation is not selective in the same way. That is not to say that a virtuous cooperator cooperates with everyone equally. Any cooperative venture—be it a family, a business, or a political movement—is focusing more on the advantage of its participants than on the advantage of outsiders. But that kind of preferential or even competitive concern is not the same thing as a concerted opposition to the welfare of outsiders. What creates trouble for the bad cooperative ventures is that they create an aggrieved, excluded class which forms the natural market for a competitor to enter the field. Mere preferential concern alone does not do that.

It might be objected that at least one beneficial cooperative venture, the libertarian legal system itself, creates at least one excluded class: criminals. Doesn’t this create an incentive for a competitor to enter the field and offer criminals the wherewithal to fight back against law enforcement?

It surely does. Hence organized crime might exist in a libertarian society. After all, LibCaps are fond of pointing out that governments in effect subsidize organized crime by prohibiting, and thus creating an attractive black market for, such victimless crimes as prostitution and drugs. But a LibCap legal system, whether minarchic or anarchic, would at least prohibit victimful crimes (i.e., crimes that do have victims) such as murder, theft, assault, rape, arson, fraud, and the like, and thus, by the same reasoning, would create a black market for these crimes.

Still, cooperative ventures against victimful crimes are likely to be more successful than ones against victimless crimes, precisely because the former have a crucial source of support that the latter lack: namely, the victims (and potential victims).

A similar point applies to boycotts: some are self-enforcing while others are not.\textsuperscript{89} For example, if I have a policy of refusing to do business with anyone who does not belong to my religion, this policy will clash with my financial incentives. The financial incentives may still lose out, of course; but then again they may not. On the other hand, if I have a policy of refusing to do business with people who cheat their customers, my financial incentives are likely to reinforce this policy. Choosing criminals as one’s target market is risky precisely because people who make a profes-

\textsuperscript{88} That is why large corporations in America during the “Progressive Era,” and racists in South Africa at the beginning of apartheid, were such enthusiastic fans of government regulation.

\textsuperscript{89} The distinction was first brought to my attention by Bryan Caplan.
sion out of noncooperative behavior cannot be relied on to cooperate with you either.\textsuperscript{90}

It should also be pointed out that the need for beneficial collective action may be overstated. After all, collective action (whether on the basis of love or of long-term greed) is only one way to provide public goods. Another way is to privatize the public good, either absolutely (i.e., by figuring out some way to exclude noncontributors) or else by packaging it with a private good, and using the revenue from the private good to fund the public good (e.g., using advertising to pay for radio and TV broadcasts, or using harbor fees to fund lighthouses). So the fact that beneficial collective action is not 100 percent reliable is no reason for despair, given that the same ends can often be achieved through noncollective means.

Cultural factors can also influence the success or failure of collective action. In general, there are two reasons that collective action can fail. One reason, the reason we have been considering so far, is motivational. Collective action can fail because not enough people want to participate in it. But the other reason is informational. Suppose everyone in Shangri-la wants to go on a general strike to protest the actions of the government. There is no motivational problem here; everyone wants the same thing. But there is an informational problem: when should the strike begin? If only a few people start on their own, they will simply be punished and nothing will be achieved. As in many cases, the acts of resistance must be simultaneous in order to be effective.

This is a coordination problem; and the key to solving such a problem is known as salience. The classic illustration of the role of salience is as follows. Suppose you and a friend intend to meet in New York City on a specific date. Unfortunately, neither of you will be able to contact the other ahead of time to arrange a time and place to meet. So you have to try to find your friend (and your friend has to try to find you) with no more specific information than the city and the day.

What should you do? Well, you should go wherever you think your friend would go; but your friend is trying to figure out where you would go, so you have to predict what your friend would predict about what you would predict—and so on. The answer most people give—which in effect makes it the right answer—is that you should go to Grand Central Station at noon. In New York, Grand Central Station is an "obvious" meeting place, and noon an "obvious" meeting time. That place and that time stand out from their competitors; they have salience.

Salience is likewise what the Shangri-la strikers need. If there is a tradition in their culture of going on strike on a certain date, that is the

\textsuperscript{90} That is one reason that the most successful criminal organizations have been ones whose members shared some ethnic, religious, political, or family connections, making them less likely to defect vis-à-vis each other than vis-à-vis outsiders. That is also why the monarchies of different countries have sought to join their families by marriage.
date to pick. In the absence of any such tradition, something else is needed to provide the salience. That is one function of a leader; if there is some one person whom the strikers all respect, that person can make a particular date salient by saying, "Let’s strike then!"

One might also see salience as a way for people to get themselves from an unproductive cooperative venture into a productive one. After all, resistance to an oppressive regime is an instance of collective action, but so is the existence of that oppressive regime itself. I do not just mean that the rulers in the regime are cooperating with one another; in some sense, the ruled have to be cooperating too in order for the regime to be effective. Rulers have power only so long as people obey them. And why do people obey them? Partly because they think it is their duty to do so, or else because they think they can benefit from government power; to that extent, overthrowing a tyrannical government runs up against a motivation problem. But people also obey partly because everyone is afraid to be the only person resisting the government. Even if everyone hates the existing regime, there is still the problem of knowing when and how to resist. In that case, salience can help people escape from a trap of their own making. To switch from obedience to resistance is to switch from one mode of collective action to another; and, as in switching from driving on the right to driving on the left, people are going to get run over unless the switch is made *en masse* rather than one person at a time.

To the extent that prospective cooperators share a common cultural background, it will be easier for them to overcome both the motivational and the informational obstacles to cooperation. Motivationally, people from the same culture are more likely to have similar values and a feeling of solidarity, and thus will be more willing to cooperate with one another. Informationally, it will be easier for people from the same culture to find salient points to build coordination on, since they share either a common tradition or a common set of leaders or both.

Consider a medieval case of collective action. In the Middle Ages, the Catholic Church promulgated the Peace of God (forbidding warfare during certain months of the year) and the Truce of God (forbidding warfare during certain days of the week). These restrictions on warfare were fairly widely observed, with extremely beneficial results to all parties concerned, since adherence to these rules prevented warfare from becoming all-consuming, and allowed the usual business of life—commerce, agriculture, etc.—to continue relatively undisturbed. But this beneficial collective action was possible only because the warring parties shared a common allegiance to the Catholic Church. Their religious faith gave them a motivation to obey the Church, and the Church’s authority made the particular provisions of the Peace and the Truce salient. By contrast, when Christians fought Muslims there were no such constraints, because the combatants lacked a shared cultural basis to support anything like a Peace of God or a Truce of God.
Having a common culture makes bad collective action easier too, however. As noted above, adherence to a common religion on the part of the ruled was a large part of what held the ruling classes of ancient and medieval societies in power, since such religions generally taught that those in power ruled by divine right. In a more pluralistic society, it would be much harder for any one group to claim a divine mandate, and so such ruling cliques should be easier to oust.

What, then, are the cultural prospects for collective action, good and bad, in a libertarian society? That depends on whether the world is moving toward or away from cultural unity, and that is not an easy thing to tell. Within each society, we see a great deal of pluralization and splintering going on; but we also see a great deal of homogenization going on between and among societies. So it is difficult to say whether collective action in general is going to become easier or more difficult. But at least the arguments I have given do offer us some reason to expect that in the absence of a powerful state, beneficial collective action is easier to maintain than harmful collective action.

This does not mean that libertarians should be complacent about the risks of concentrated power in a free society. The Smithian, Statocracy-Dominant position is false. But there is at least reason to hope that, in the absence of statocracy, a sufficiently alert and vigilant populace may be able to prevent the rise of plutocracy.

VII. Conclusion

Libertarianism is a many-sided movement, comprising capitalist, socialist, and conservative-populist elements, with very little mutual understanding among the separate camps. For those who share the basic libertarian conviction that a radical redistribution of power is needed from the state to freely associated individuals, this lack of mutual dialogue should be seen as unfortunate; and one of the purposes of the present discussion has been to help open a door to such dialogue. The three libertarianisms’ differing views on class are at the heart of what divides them from one another, and each camp needs to avoid the distortions of a one-sided vision, and take much more seriously the insights of its rivals. In particular, I have argued that LibCaps need to be more concerned than they traditionally have been with the danger posed by plutocracy, while at the same time, LibPops and LibSocs have much to learn from LibCaps about the ways in which market mechanisms, in the absence of statocratic interference, can undermine plutocracy by fostering good collective action over bad. But more research needs to be done. Libertarianism still needs a theory of class; and its best hope of getting one is to exploit the conceptual and theoretical resources of all three of its main traditions.