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The Economic Dissolution of the State

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Visions of a stateless society range from chaos and disorder, to a social order without private property or market relations, to a social order looking much like contemporary corporate capitalism minus the state. Programs for transition to a stateless society include reform through conventional political channels on the one hand and violent revolution on the other. Drawing on the individualist anarchist tradition, I shall argue that the most defensible vision of a stateless society is a social order characterised by private property and market relations but looking very different from contemporary corporate “capitalism,” and that the most defensible program for transition to a stateless society is one of the nonviolent displacement of the state through building alternative institutions.

In the 19th century, individualist anarchists used to talk about *dissolving* the state within the market or civil society. Benjamin Tucker, for example, writes: “Anarchists work for the abolition of the State, but by this they mean not its overthrow, but, as Proudhon put it, its dissolution in the economic organism.”¹ And Gustave de Molinari agrees: “The future thus belongs neither to the absorption of society by the state, as the communists and collectivists suppose, nor to the suppression of the state, as the [non-market] anarchists and nihilists dream, but to the diffusion of the state within society.”²

This notion of the economic dissolution of the state is useful because it speaks to both the end and the means. To say that the state is dissolved rather than abolished suggests, on the one hand, that the vision of a stateless society is not one in which the services of adjudication and rights-protection have been eliminated, but rather one on which they have been assumed by voluntary economic institutions – and on the other, that the process of getting there employs economic rather than political means, a peaceful dissolution rather than a violent overthrow.

¹ Tucker 1987, p. 104.

² Molinari 1888, pp. 393-94; translation mine.

Is Stateless Society Chaotic?

The classical case for a stateless society's being one of chaos and disorder comes from Thomas Hobbes' *Leviathan* (1651). Hobbes argues that human cooperation rests on people's ability to trust one another to keep their agreements, and that this in turn depends on institutions of enforcement, or in other words, the state. In effect, Hobbes maintains that peace is a public good, one whose production and maintenance is in everyone's collective interest, but which everyone has an individual interest in cheating on, either in the hope of free-riding on others' contributions or out of fear that others will free-ride on one's own.

A less dire, but still pessimistic, vision of stateless society is offered by John Locke four decades later in his *Two Treatises of Government* (1690). In Locke's view, what a stateless society fails to supply is not cooperative order as such, but the specific cooperative order known as *law*. Without the state's executive functions, rights would receive inadequate protection; without the state's legislative functions, there would be no public legal code to enable people to coordinate their plans; and without the state's judicial functions, and so lacking a neutral third-party arbiter to which to submit their disputes, people would have to act as judges in their own case, with all the attendant dangers of bias.

Hobbes' argument is subject to a number of difficulties. First, establishing a state is itself a cooperative endeavour, so if cooperation in turn presupposes the state, it would be impossible for anyone ever to establish a state in the first place. Second, *maintaining* a state is a cooperative endeavour too, and the mere fear of state force cannot explain its maintenance, since the rulers of the state are vastly outnumbered by those whose cooperation must be secured. Third, the desire to earn a reputation as someone whose cooperation can be secured by others' cooperation provides a powerful incentive to cooperate even in the absence of formal institutions of enforcement.³ Fourth, where such institutions *are* needed, there is no obvious reason for them to take the form of a monopoly state.⁴

³ See Axelrod 1984. Hobbes was not unaware of reputation effects – indeed he defends their importance quite effectively in his “Reply to the Fool” – but he seems to have thought of them as useful only for maintaining existing patterns of cooperation, not for initiating them.

⁴ For contemporary debates about the viability of social cooperation without the state, see Long and Machan 2008; Stringham 2006; and Stringham 2007.

This last point also identifies the flaw in Locke's argument; the need for formal institutions for producing and enforcing law constitutes no argument for *monopolising* these functions in the hands of the state, with all the familiar incentival and informational perversities to which monopolies are subject. On the contrary, it is not hard to find examples, both historical and contemporary, of successful legal systems – including quite sophisticated ones – established without, or in some cases in defiance of, state involvement.⁵

Locke's concerns about being a judge in one's own case are especially problematic. Locke commits a fallacy of composition in arguing from the premise *Everyone should submit their disputes to a neutral third-party arbiter* to the conclusion *There should be a single neutral third-party arbiter to whom everyone submits their disputes*. (It's a bit like arguing from *Everyone in this room has a father* to *Someone is the father of everyone in this room*.) But it's worse than that; not only does a stateless society not run afoul of the need to submit disputes to a third-party arbiter, but in fact it is *only* in a stateless society that the need to submit disputes to a third-party arbiter can be universally applied. For where there is a monopoly state, *it* cannot (on pain of surrendering its monopoly status) submit its disputes to a third party. If submission to arbitration (emergencies aside) is a condition of the rule of law, then the very existence of the state is a violation of the rule of law.

More broadly, we learn from economics and social science (*e.g.*, Adam Smith, Friedrich Hayek) that such social order as exists even under states arises primarily from voluntary cooperation rather than from governmental force, and is indeed frequently inhibited by governmental force. As Thomas Paine writes:

Great part of that order which reigns among mankind is not the effect of government. It has its origin in the principles of society and the natural constitution of man. It existed prior to government, and would exist if the formality of government was abolished. The mutual dependence and reciprocal interest which man has upon man, and all the parts of civilised community upon each other, create that great chain of connection which holds it together. The landholder, the farmer, the manufacturer, the merchant, the tradesman, and every occupation, prospers by the aid which each receives from the other, and from the whole. ... In fine, society performs for itself almost everything which is ascribed to government.⁶

⁵ For some examples, see Anderson and Hill 2004; Bell 1992; Benson 1990; Powell *et al.* 2008; and Stringham 2003.

⁶ Paine, *The Rights of Man*, p. 357; in Foner 1948, pp. 241-458.

Or, in Colin Ward's words:

[A]n anarchist society, a society which organises itself without authority, is always in existence, like a seed beneath the snow [Anarchism] is a description of a mode of human organisation, rooted in the experience of everyday life, which operates side by side with, and in spite of, the dominant authoritarian trends of our society.⁷

Is Stateless Society Communistic?

Among those who affirm the orderliness of stateless society, some portray such a condition as one without private property or market relations, where this is both a prediction of what they take to be likely and a prescription of what they take to be desirable. I have in mind, in particular, the anarcho-communist tradition, among whose best-known exponents are Pëtr Kropotkin and Emma Goldman. Anarcho-communists tend to see private property both as illegitimate in itself (on the grounds that goods derive their value not just from their immediate producers but from society as a whole, and so society as a whole deserves to share in the products) and as productive of negative social consequences (since private property leads to inequalities of wealth, which in turn get translated into inequalities of power). Why then, they ask, would enlightened people choose a private property system unless it were forced on them by the state?

I find much of value in the writings of the major anarcho-communist authors. In particular, they can form a useful corrective to the tendency prevailing among some economists to see profit-driven monetary transactions as the sole important source of social cooperation. But their opposition to private property and market relations is a mistake. As Ludwig von Mises and Friedrich Hayek have shown, no complex economy can prosper without private property in the means of production. The value of a means of production – a higher-order good – depends on the value of the first-order or consumption goods to which it contributes. Hence in deciding among alternative production methods, the most efficient choice is the one that economises on those higher-order goods that are needed for the most highly valued first-order goods. In a market economy, consumer valuations of first-order goods get translated, by means of prices, into varying demand for their factors of

⁷ Ward [1973] 1992, p. 14.

production; but if higher-order goods are communally owned, so that there's no market in them and no prices for them, this process is blocked.

Why is there no non-market way of getting producer choices to reflect consumer evaluations? First, as Hayekians argue, most of the relevant information about preferences is local, inarticulate, and constantly changing; second, as Misesians argue, even if you could get this information, it would all be in the form of ordinal rankings, and without translation into cardinal prices there's no way to combine the ordinal rankings of different people; and finally, even if you could get the information into cardinal form, in order to use it to plan the economy you'd have to solve millions of simultaneous equations at rapid speed.

It is true that the economic value of a product is not created by the producer alone; a computer, for example, while retaining all of its intrinsic characteristics, would plummet in economic value if everyone else in society stopped producing electricity. But contributing to a good's value does not create an entitlement to share in its ownership. After all, the economic value of a computer technician's *services* would likewise plummet in a society without electricity; but we presumably should not conclude that those who produce electricity deserve a partial ownership share in those services – for that would take us on the road to slavery and compulsory labour, which would be an odd place for anarchists to end up.

Hence the claim that a share in the responsibility for X's economic value entitles one to a share in ownership of X must be rejected. What the computer technician owns is not the economic value of her labour, but simply her labour itself, because it is *hers*; likewise what she owns is not the economic value of the products of her labour, but simply those products, because *her* labour produced them.

As for the worry that economic power can be translated into political power, this is true enough under a state, where those who initially succeed via market competition can use their acquired riches to influence the state and thereby isolate themselves from further competition. But in a competitive market, responsiveness to customer needs is required not just to gain one's economic position but also to keep it. In fact it is state intervention that tends to magnify the power of the wealthy.⁸

⁸ See Carson 2006, 2008; Childs 1971; Rothbard and Radosh 1972.

Is Stateless Society “Capitalistic”?

In light of the foregoing considerations, a growing number of writers have envisioned a stateless society as one in which social order is maintained primarily by the mechanism of market exchange, with protection of rights and adjudication of disputes being services provided on a competitive market. This position, so described, is essentially my own.

But there is a tendency among many proponents of this position to view stateless society as more or less equivalent to contemporary corporate “capitalism,” apart from the absence of the state. For example, a free-market anarchist society is frequently envisioned as dominated by a relatively small number of large, hierarchically organised firms, and characterised by distributions of wealth comparable to our own.

This wasn’t always the case; the individualist anarchists of the 19th century – writers like Thomas Hodgskin, Herbert Spencer, Benjamin Tucker, Lysander Spooner, and Voltairine de Cleyre – were in many respects thinkers of the left, who combined calls for economic *laissez-faire* with calls for class struggle and worker control of industry. The more recent tendency for free-market libertarians to identify with the right is perhaps the result of their long alliance with conservatives against state socialism; but I think such an approach underestimates the extent to which the current “capitalist” economic landscape is a product of state intervention, and in so doing weakens free-market anarchists’ effectiveness in winning over people who have experienced the unlovely features of contemporary economic life.

Government policies tend to keep firms large and hierarchical, and their numbers small. Large firms experience not only economies of scale but diseconomies of scale; for example, while economies of scale enable large firms to become more productive, this very increased productivity requires a large geographical range of distribution, and so hikes up transportation costs. Transportation subsidies (such as tax-funded highways, where long-distance trucking is responsible for most of the wear and tear on roads but does not pay a proportional share of the cost) allow large firms to socialise their costs while privatising the benefits, thus enabling them to grow to larger sizes than the free market would permit. Hierarchical firms face Hayekian knowledge problems that would likewise make it difficult for them to remain competitive in a free market, but such firms are largely insulated from competition in a variety of ways, such as regulations that function as effective cartelisation tools; licensure fees, zoning laws, and capitalisation requirements that make it difficult for

workers' cooperatives to provide alternative employment options; and restrictions on unions and mutual-aid societies that make it difficult for workers to organise in any but government-approved ways.⁹

The result is that many of the charges brought by the “socialist” left against existing “capitalism” are in a sense quite correct – but the proper reply to such charges is neither to abandon free markets nor to dig in and dismiss problems of corporate power and worker disfranchisement as unimportant, but rather to point out that free markets are the cure, not the cause, for these problems. So long as the plutocratic *status quo* is mistakenly regarded as an approximation to the free market, the dynamic will continue whereby, on the one hand, those who find plutocracy unappealing will conclude that free markets are the problem and will be led to support state intervention as the solution, and on the other hand, those who find state intervention unappealing will be led to defend the *status quo*.

Part of the problem, I think, is the very term “capitalism.” As I have argued elsewhere:

Suppose I were to invent a new word, “zaxlebox,” and define it as “a metallic sphere, like the Washington Monument.” That’s the definition – “a metallic sphere, like the Washington Monument.” In short, I build my ill-chosen example into the definition. Now some linguistic subgroup *might* start using the term “zaxlebox” as though it just meant “metallic sphere,” *or* as though it just meant “something of the same kind as the Washington Monument.” And that’s fine. But *my* definition incorporates both, and thus conceals the false assumption that the Washington Monument is a metallic sphere; any attempt to use the term “zaxlebox,” meaning what *I* mean by it, involves the user in this false assumption. ...

Now I think the word “capitalism,” if used with the meaning most people give it, is [the same kind of] package-deal term. By “capitalism” most people mean neither the free market *simpliciter* nor the prevailing neomercantilist system *simpliciter*. Rather, what most people mean by “capitalism” is *this free-market system that currently prevails in the western world*. In short, the term “capitalism” as generally used conceals an assumption that the prevailing system is a free market. And since the prevailing system is in fact one of government favouritism toward business, the ordinary use of the term carries with it the assumption that *the free market is government favouritism toward business*.¹⁰

⁹ For details on these and other ways in which government favours big business over workers and consumers, see Carson 2006, 2007, 2008; Johnson 2007, 2010; and Beito 2000.

¹⁰ Long 2006.

For this reason, I think advocates of free-market anarchism should refrain from calling themselves “anarcho-*capitalists*.”

In any case, we have good reason to think that firms would be smaller, more numerous and less hierarchical in a stateless society than they are now. And that’s a good thing; for just as state intervention promotes corporate hierarchies, so corporate hierarchies promote state intervention, both by maintaining a wealthy, concentrated lobbying power with an interest in government privilege, and by reinforcing a culture of regimentation that encourages acquiescence in state power.¹¹

Getting to Statelessness

How is a stateless society to be achieved? The two most salient options are reform through conventional political channels on the one hand, and violent revolution on the other. But are these really the most effective strategies available? Conventional reform involves either persuading current political rulers (through issuing position papers and the like) or electing new ones. Persuading powerful people to give up their power seems an unpromising task. The electoral strategy and the strategy of violent revolution are alike in that both are attempts to *take over* the existing state apparatus. But anarchism is unique among political philosophies in that its implementation does not require gaining control of the state; all it requires is that the state cease to exist, and this can be accomplished just as much from without and below as from within and above – through people gradually, nonviolently withdrawing their support from the state, and transferring that support to voluntary institutions. After all, the state ultimately has no power that does not depend on the acquiescence of its subjects, and once that support is withdrawn, the state’s rulers are reduced to a bunch of weirdoes yelling on a street corner, like Hitler in the Monty Python sketch.¹² In the words of Gustav Landauer: “The state is a relationship between human

¹¹ For some more of the ways in which free-market values are linked, both conceptually and causally, with traditionally “left-wing” values like feminism and the labour movement, see Johnson 2008c; Long and Johnson 2005.

¹² www.youtube.com/watch?v=ZU5aWyK9MRk

beings, a way by which people relate to one another; and one destroys it by entering into other relationships, by behaving differently to one another.”¹³

From the fact that a non-political strategy is *available* to anarchists, it of course does not follow that it is the best strategy for them to pursue. But one disadvantage of the takeover strategy is that there are few opportunities for *incremental* success; nothing counts as a genuine victory before the final takeover. By contrast, if one focuses on the “counter-economic”¹⁴ approach of building alternative institutions and bypassing the state, many small victories are possible; consider, *e.g.*, the comparative success of electoral and counter-economic methods today in nullifying the effects of drug laws, immigration laws, and copyright laws. In Paul Goodman’s words: “A free society cannot be the substitution of a ‘new order’ for the old order; it is the extension of spheres of free action until they make up most of social life.”¹⁵ (This is not to say that electoral activity is never appropriate, only that it should never be primary.)

Free-marketers whose goal falls short of a stateless society sometimes tell anarchists: “The choice between a highly limited state and none at all is a long way away; let’s cooperate in cutting back on the enormous government we have, and once it’s down to manageable proportions we can argue about whether to go further.” The problem with this argument is that it assumes that the path to anarchy and the path to limited government coincide up until the end. But on the contrary, the limited-government advocates is focusing on pruning back the branches; she has no interest in digging up the root, the monopoly state. But for the anarchist, it’s a waste of time to prune the branches when one can be rid of the branches once and for all by attacking the roots directly.¹⁶

Two organisations currently in the forefront of promoting the program of social change I’ve described here are the Alliance of the Libertarian Left and the Center for a Stateless Society; see their websites (all-left.net and c4ss.org) for further information.

¹³ Gustav Landauer, “Weak Statesmen, Weaker People,” *Der Sozialist*, 1910; quoted in Graham 2005, p. 165.

¹⁴ See Konkin 1980.

¹⁵ Paul Goodman, quoted in Ward [1973] 1992, p. 14.

¹⁶ For elaboration, see Johnson 2008a, 2008b.

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