

## CONTRA ANARCHO-CAPITALISM

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MIXING ECONOMICS AND GOVERNMENT is a dangerous idea, nearly as dangerous as mixing church and government. With the latter, you get a theocracy, and with the former, the unwieldy behemoth of the American political-economic system—both very undesirable. After the trauma of the Great Depression and the wide-scale introduction of paternalistic government by Franklin Roosevelt, Americans have acquired an unhealthy mistrust of capitalism. *Economist* writer Clive Crook points to a popular conception of the market as “a regrettable necessity, a useful monster that needs to be bound, drugged, and muzzled if it is not to go on the rampage.”<sup>1</sup>

Generally, anyone with even a rudimentary sense of the benefits of the free market will recognize that laws or restraints will make it less “free,” but often they do not recognize that such interference is detrimental. Mainstream economics, in fact, has made a science of regulating the economy, tinkering with interest rates and squeezing the money supply to get a satisfactory reading of “utils.” Economists from the anarcho-libertarian camp, however, fiercely advocate complete *laissez-faire* capitalism and abhor the notion of interference, especially by government, which in their view only retards society. They consign all activities of government to the free market, holding that unrestrained, anarchistic capitalism will govern with greater efficiency and with more moral justification than the state.

In an ideal society, where every man is guaranteed to use his faculties of rationality, then such a system might work. As long as the libertarian principles of nonaggression and property rights are

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<sup>1</sup>In his survey on corporate social responsibility (CSR) in *The Economist*, Crook takes a libertarian stance in opposing legally mandated CSR and exposing it as an unnecessary nuisance that, if left unchecked, could begin to seriously injure the market.

upheld, society will run smoothly under anarcho-capitalism. However, given man as he actually is, conflicts inevitably arise for which the market cannot provide just, objective resolution. Given this more realistic assumption, anarchism and capitalism must go their separate ways; the latter is justified, but not the former.

Capitalism is the system that allows the greatest sphere of freedom for the exercise of one's natural rights. "It is a system where men can deal with one another, not as victims and executioners, nor as masters and slaves, but as traders, by free, voluntary exchange to mutual benefit" (Rand 1989, p. 4). Production and capitalism function to eliminate scarcity and elevate man above living as a beast. As an article in *The Economist* points out, "In the West today the poor live better lives than all but the nobility enjoyed throughout the course of modern history before capitalism" (Crook 2005, p. 10). The same article points out that direct foreign investment in the third world is "one of the best spurs to economic development."<sup>2</sup>

Anarcho-capitalists base their unflagging faith in the market's ability to solve problems on such findings and on the belief that the state is inherently evil. Famously, these anarchists cry out, "Show me my signature on the social contract!" They hold that the only system that will not violate rights is one that is completely voluntary, manifested in the completely free market. On the libertarian web forum LewRockwell.com, anarcho-capitalist Roderick T. Long offers a laundry list of libertarian objections to the state, including abuse of power issues, efficiency, and coercion.<sup>3</sup>

In order to discuss justice and the socio-economic system most conducive to it, the market or the state, we first have to talk about rights; which ones you have, where they come from, and how they can be violated. Then we must look at how those rights fare when the market is their guarantor in the absence of government.

The primary human right is the right to life, and it stems from the fact that humans live differently from animals. Philosopher Ayn Rand asserts that since man lives, his life is his moral standard,

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<sup>2</sup>See also *Hitting the Wall: Nike and International Labor Practices* (Spar 2002, p. 10) reports that an Indonesian family of six "had used one daughter's minimum wage from a Nike factory to purchase luxury items such as leather couches and a king sized bed."

<sup>3</sup>LewRockwell.com. In his article, "Libertarian Anarchism: Responses to Ten Objections," Long asserts that the government is an inefficient, coercive monopoly that answers to the rich and creates black markets and organized crime. He also claims that it is morally unjustified and lawless, since it never submits to a third party (Long 2004, p. 8).

“which leads to the right to act by the guidance of this standard, i.e., the right to life” (Peikoff 1991, p. 354). Rand is in agreement with the founding fathers when she recognizes that the rights to liberty, property, and the pursuit of happiness are all logically derived from man’s primary, objective right to life. The tools man uses to survive—reason and rationality—entitle him to whatever rights are necessary for him to freely use these tools (liberty) and to keep what comes from their use (property). Rand has presented us with an objectively defined set of natural rights set within a “primacy of existence” philosophy: “If life on earth is his purpose, man has a right to live as a rational being” (ibid., p. 361). According to Randian philosophy, the ideal system in which individuals can pursue their self-interests and put their lives as their own ends is capitalism.

When considered in a social context, these natural rights as defined by Rand give rise to a concept of negative liberty. This liberty translates to rights of noninterference, or freedom of action, which means “freedom from physical compulsion, coercion, or interference by other men” (ibid., p. 355). Seventeenth century philosopher Thomas Hobbes offers a picture of a world without negative liberty:

In such condition, there is no place for industry, because the fruit thereof is uncertain; and consequently no culture of the earth; no navigation nor use of the commodities that may be imported by sea . . . no knowledge of the face of the earth; no account of time; no arts; no letters; no society and, which is worst of all, continual fear, and danger of violent death; and the life of man, solitary, poor, nasty, brutish, and short. (Hobbes 2000)<sup>4</sup>

The rights derived from negative liberty can impose no obligation on others: “A right is not a claim to assistance or a guarantee of success” (Peikoff 1991, p. 355). Any sort of positive right will inevitably lead to the infringement of negative rights. The poor, for example, may have a natural right to life, but any positive right they have to money as a form of welfare is an infringement upon the negative rights of taxpayers to not have their property taken away. Rand, in fact, holds that welfare is actually a form of direst cruelty. For her, productivity and egoism are cardinal virtues for man, and the highest moral purpose in his life self-betterment: “There is a particular type of life which is most rational, most free, and most valuable in itself. This is

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<sup>4</sup>Hobbes argued that government takes away theoretical, absolute freedom, and replaces it with practical freedom. Without traffic laws, for instance, no one would have the practical freedom to go wherever they wanted to, but everyone would have the theoretical freedom to drive however he pleased.

the life of being 'true to oneself' . . . by following one's vision, taking control of, and full responsibility for, one's life" (Wolff 1991, p. 31). Welfare, she insists, undercuts this ability of poor people to live meaningful lives.

If all men are to be free to exercise their maximum levels of autonomy without interference, then anarchy would indeed seem to be the best social system. But anarchism as a social system is only acceptable if it maintains a semblance of order. Economist James M. Buchanan asks:

What happens when mutual agreement on the boundaries of property does not exist? What if one person is disturbed by long-hairs while others choose to allow their hair to grow? Even for such an example, the anarchist utopia is threatened. . . . If there is even one person who thinks it appropriate to constrain others' freedom to their own life-styles, no anarchistic order can survive in the strict sense of the term. (Buchanan 1975, p. 3)

Any equilibrium attainable under anarchy is fragile, and history has yet to show that it works on a large scale. Even Long admits that his conception of order maintained under anarchy may "not [be] enough for a complex economy" (Long 2004, p. 5), rendering his examples involving wandering cows and bickering neighbors useless.

Anarchy places human society directly back into the state of nature. Loyola professor of economics Dr. William Barnett points to the lions of the Savannah to illustrate this point.

In a pride, young males invade and kill off the older, weaker, adult males. They mate with the lionesses and chase off the male cubs when they are old enough to wander on their own. The cubs wander until they are strong enough to return and take over the pride in the same, violent way.

Young males anywhere are rambunctious, and they are perfect grunts for someone who wants to make use of them to impose his will by force. Who is responsible for most of the violence in the Middle East and Africa? Who rules the inner city areas in the near-absence of government? Young males.<sup>5</sup>

Such a rise of militarism in the absence or near-absence of government can be compared to the rise of Fascism from weak governments in Europe. Hitler was able to brush away the Weimar Republic with little opposition and Italian King Victor Emmanuel was powerless against the forces of Benito Mussolini when he marched on

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<sup>5</sup>All quotations by Dr. William Barnett are from an informal discussion on March 16, 2005.

Rome. “Existentially, the chaos and destruction that anarchism encourages [or that reigns where government is weak] will make people turn to someone who promises order and security,” says Objectivist critic Peter Schwartz (1989, p. 325). Such an argument explains why Latin American countries, after being so loosely governed until the late nineteenth century, developed a tendency to welcome strong authoritarian government.

If there is to be peaceful coexistence among men, negative rights must be respected, and the guarantor of order must be some objectively defined enforcing agency; otherwise, societies would be physically and ethically incapable of opposing subjective philosophies imposed on them by strongmen or groups. Hobbes says, “Where there is no common [*objective*] power, there is no law: where no law, no injustice” (2000, p. 366). Without law based on objectively defined natural rights, no society can oppose the will to power of rogue tyrants, because one subjective ideology is no more meritorious than another. In the same way, no verdict issued from a private, business-interested court can have more weight than any other. Only *disinterested*, objective law removed from the realm of whim—the market—can provide an adequate mechanism of justice. Under the anarcho-capitalist system, this is impossible.

Libertarian philosophy is self-admittedly baseless: it has no ethics (which does *not* make it objective). Values themselves, libertarian anarchists declare, are oppressive and hinder the natural right to “do your own thing.” Therefore they adhere only to two principles: property rights and nonaggression.<sup>6</sup> However, without “grounding” their philosophy in some ethics, these libertarians cannot objectively define “force” in order to discern where infringements of property rights occur. Randian author Ronald E. Merrill says, “There’s no objective basis for controlling the use of force. Your belief that you’re using force to protect yourself is just an opinion; what if it is my opinion that you are violating my rights?” (Merrill 1991, p. 139).

For Rand, it is not difficult to objectively define a violation of rights. She holds that the only way that one’s natural rights can be violated is through the use of force.

Force is a form of action—the only one—which paralyzes and negates the victim’s mind. It is thus the only evil one man can perpetuate against another which negates the victim’s tool of survival, i.e., which literally stops the action of human self-preservation, i.e., which contradicts the right to live. (Peikoff 1991, p. 360)

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<sup>6</sup>Principles superbly outlined by Murray Rothbard (1982, pp. 55–99).

The use of force is the only way that negative liberty can be infringed upon, and it is the only action that the government can punish or prevent with justification.

The government, as an agent of self-defense, must be fundamentally *reactive*. It can only use power in retaliation and only against those who initiate its use. In essence, the only proper function of the government is negative: to destroy destruction. Like the individuals who compose it, the government has no positive rights—it cannot undertake to enforce any ideas, else it becomes an enemy. Buchanan says that the function of the government should be purely scientific, where participants have no say in the “decisions” of the enforcing agent. “Ideally,” he says, “there are no ‘decisions’ to be made” (Buchanan 1975, p. 95). He draws a parallel between the ideal government and the alarm clock that Robinson Crusoe builds to “govern” his day.

[Society] will seek some instrument that is external to the participants (potential violators all) and which may be programmed in advance, which may be counted on to detect and punish violations of the agreement, and to do so impersonally and impartially. (p. 94)

Libertarian minarchist Robert Nozick says that a government limited to “the narrow functions of protection against force, theft, fraud, enforcement of contracts, and so on, is justified,” but “any more extensive state will violate a person’s rights not to be forced to do certain things” (Nozick 1977, p. ix). The only valid functions of government include the maintenance of a police force, armed services, and law courts. These functions cannot be objective if they are controlled by the market. The market is inherently subjective; it is value-conscious and propelled by the interests of those operating within it.

Yet anarcho-capitalists (Rothbard 1973; Hoppe 2001; Friedman 1989) envision a world of private courts or protection agencies backed up by private police forces. The problems with this are both practical and theoretical. Practically, violence between protection agencies may prevail. It would be in a customer’s interest to join an agency that had a “no questions asked policy” and that guaranteed their clients the benefit of the doubt. This type of court would essentially represent a gang of ruffians ready to throw justice to the wind and fight for their clients. But these “bandit” courts would not stay in business for long, argue anarchists. Violence will be expensive, and bandit courts will have an incentive to settle disputes with other courts through arbitration, rather than force. However, anarcho-capitalists overlook the fact that violence will not be expensive for a bandit court if it can “out-violence” another court and force it to bear the

costs of the violence. The theoretical problem with private courts is that no objective, final arbiter of disputes exists. When Nike hired an independent accounting firm, Ernst and Young, to review its labor practices overseas, critics cried foul, alleging that “if an independent monitor, such as an accounting firm, was hired by a corporation, it thereby lost its autonomy and independence [and therefore credibility]” (Spar 2002, p. 12).<sup>7</sup> Roderick Long argues that there is no reason why the independent courts couldn’t agree to submit any conflicts between them to a third court before a dispute arose, but Dr. Barnett points out that a network of arbitrating courts may result in a *de facto* government.

People would look at the rulings that various third party courts came up with on the same issue, and they would decide based on the ruling whether or not they liked that court. They would go to that court and not patronize the others, putting them out of business, and you are left with fewer and fewer courts. (private discussion)

Nozick examines the tendency of the market for courts and protection agencies to monopolize, and in an attempt to show the rational superiority of the state, he develops an “invisible-hand theory” to show that free market anarchy might naturally evolve into a minimal state.

Nozick defines the two basic qualities of the minimal state: it “claims the exclusive right to authorize and oversee the use of force within its boundaries,” and “it offers protection to anyone who resides within its borders” (Wolff 1991, p. 37). First, individuals form a mutual protection association among family, friends, or members of the community, in which co-members cooperate with a claimant if they feel the case is a reasonable one (*ibid.*, p. 44). Second, entrepreneurs seeking to profit from the undesirability of being at the beck and call of other association members would set up protection services. This industry has a tendency to monopolize, contrary to what happens in a normal market: companies will merge to avoid costly battles, and citizens will join the biggest, “baddest,” most powerful agency. Therefore, after a process of mergers, take-overs, cartels, and

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<sup>7</sup>Spar (2002, p. 8) cites:

Critics were also unimpressed with the Young report’s research methodology and conclusions. Young failed to address factory wages, the crux of the issue, and spent only 10 days interviewing workers. During the interviews, moreover, Young had relied on translators provided by Nike, a major lapse in accepted human rights research technique.

changing membership patterns, one dominant protection agency emerges.

Nozick recognizes, however, that “as long as some individual types (John Wayne) retain the private right to punish, the dominant protection agency is apparently not a state” (Wolff 1991, p. 45). If John Wayne types who are die-hard independents seem to pose a risk to the dominant agency’s clients, then the agency “seems entitled to announce that it will punish anyone who uses force against its clients, unless they can demonstrate to the agency that such force is legitimate” (ibid., p. 46). When the agency claims the exclusive right to use force, it exhibits the first characteristic of a state: a monopoly on force. The agency may offer protection to John Wayne to compensate him for taking away his natural right to punish; it now exhibits the second characteristic of a state: protecting all within its borders.

Anarchists who refuse to be persuaded, however, will continue to object to any justification of taking away John Wayne’s rights, no matter how much compensation is paid. Nozick fails to finally and firmly answer the question, “How are we justified in taking away the right to punish from would-be independents?”<sup>8</sup> Nevertheless, Nozick’s arguments add leaps and bounds to minarchist reasoning. With his theory, he has demonstrated the rational superiority of the state over the state of nature.<sup>9</sup> He justifies the minimal state by illustrating the inexorable push of the market toward a government. Even Long unwittingly supports Nozick’s theory as well, citing the emergence of the Law Merchant in the late Middle Ages, a system of commercial law that was backed up by threats of boycott—not by the state (Long 2004, p. 5). Just because a government may be market-born, however, it is *not* true that the market should run the government once it is formed. Only a government akin to Crusoe’s alarm clock—mechanized, impartial, and objective—can sustain peace and

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<sup>8</sup>In an attempt to prove that the dominant agency has the natural right to compel John Wayne, Nozick posits two types of rights: procedural and conditional. “If people have a right to have their guilt assessed by a procedure known to be reliable, then the agency may retain the right to approve all judicial methods used against its clients” (Wolff 1991, p. 62). Nozick then says, “If we take this view, then to insist that John Wayne should respect the procedural rights of the accused does not violate his rights, for his rights are conditional in just this way” (p. 66).

<sup>9</sup>Abuse of power and price inflation issues Long raises could be remedied by considering those living under the monopoly as “shareholders” with a legitimate say in pricing policies and election of the “company’s” governing board.

a healthy market environment over extended periods of time. The “regrettable necessity” of society then is not the market but limited government. In the name of protecting negative liberty, the minimal state does indeed take away the absolute freedom to do as one pleases. In so doing, however, the state grants a practical freedom; it functions like the locks on our doors that allow us to live and work in peace. Anarchy, therefore, has no place in a free-market society:

If a man’s fundamental goal is to define and validate individual rights objectively, and then to create a structure under which they are protected, he will discover laissez-faire capitalism and a limited government. If, on the other hand, his basic concern is to allow people to do whatever they desire and to concoct a social arrangement by which that appears to be possible, then he will unearth Libertarianism and Anarchism. (Schwartz 1989, p. 325)

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