

TOWARD A LIBERTARIAN THEORY OF CLASS

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I. INTRODUCTION

Libertarianism needs a theory of class.

This claim may meet with resistance among some libertarians. A few will say: "The analysis of society in terms of classes and class struggles is a specifically Marxist approach, resting on assumptions that libertarians reject. Why should we care about class?" A greater number will say: "We recognize that class theory is important, but libertarianism doesn't *need* such a theory, because it already *has* a perfectly good one."

The first objection is simply mistaken. While the prominence of the Marxist theory of classes may have left rival approaches obscured in its shadow, class analysis is thousands of years older than Marx; and in Marx's own day the Marxist version of class analysis was only one of a number of competing and very different theories, including several far more congenial to libertarianism. The problem of class is one that faces any serious political theory, Marxist or otherwise.

The second objection is also mistaken, but not so simply. It is true that a libertarian theory of class already exists. More precisely, several different theories of class are current among today's libertarians, inherited from different strands within libertarianism's intellectual ancestry. But although each of these theories offers important insights, I propose to argue that none of them is adequate, and that the shortcomings of libertarian thinking about class have done serious harm to the libertarian cause.

I shall also be offering some suggestions as to the direction in which libertarian class analysis might best develop. But my aims in this regard are limited. It is from no false modesty that this essay is titled "Toward a Libertarian Theory of Class" rather than simply "A Libertarian Theory of Class." The development of libertarian class analysis is a project for the cooperative efforts of sociologists, economists, political scientists, historians, and philosophers. My principal hope is simply to call attention to the need for such a project.

II. LIBERTARIANISMS

What does it mean to speak of a libertarian theory of class? To answer that question, we must first have some conception of what libertarianism is, and then what a theory of class is.

For the purposes of this essay, I propose to define as *libertarian* any political position that advocates *a radical redistribution of power from the coercive state to voluntary associations of free individuals*. This definition draws the boundaries of libertarianism rather more expansively than is customary, and includes under the libertarian aegis a number of conflicting positions. For example, my definition does not specify whether this redistribution of power is to be total or merely substantial, and so allows both anarchists and nonanarchists to count as libertarians; it also does not specify whether the criteria for "voluntary association" can be met by communal cooperatives, or market exchanges, or both, and so grants the libertarian label indifferently to socialists (of the anti-statist variety) and capitalists (of the anti-statist variety).

These results may be taken, by some, as sufficient reason to reject my definition of libertarianism as excessively broad. But thinkers satisfying the definition have frequently described themselves as libertarians, whatever their views on the nature of voluntary association or the appropriate extent of redistribution; and it is my conviction that the different varieties of libertarians generally have more in common than they are accustomed to recognizing, and a great deal to learn from one another. As I have written elsewhere:

Today, for the most part, libertarian capitalists begrudge socialists, and libertarian socialists likewise begrudge capitalists, the title "libertarian"; yet there seems to me sufficient commonality of ideological concern and intellectual heritage between the two camps to justify using the term in a broad but univocal sense to cover them both.¹

Currently there are three quite disparate movements that qualify as libertarian by my definition. Two of them I have already mentioned: Libertarian Capitalism and Libertarian Socialism. A third I shall call Libertarian Populism. As these terms are a bit of a mouthful, I shall abbreviate them as "LibCap," "LibSoc," and "LibPop," respectively.²

Libertarian Capitalism (LibCap) is the position that has largely monopolized the term "libertarian" in contemporary academia, thanks largely to the influence of Robert Nozick's book *Anarchy, State, and Utopia*.³ LibCaps uphold (sometimes on the basis of imprescriptible natural rights, sometimes on the basis of beneficial social consequences, usually on the basis of both) the right of individuals to do as they please with their own lives and peacefully acquired private property, so long as they do not aggress against the like liberty of anyone else. This leads LibCaps to oppose state interference with *both* personal lifestyle choices and market transactions, favoring spontaneous order over coercively imposed order equally in the market for goods and services (hence their conflict with the left) and in the market for ideas and experiments in living (hence their conflict with the right). LibCaps who wish to restrict government to the basic function of protecting libertarian rights—essentially the "night-watchman state" of classical liberalism—are traditionally called "minarchists," while a minority who favor replacing the state entirely with private protection agencies and private courts competing on the free market are traditionally called "anarcho-capitalists."

It still comes as a surprise to many LibCaps to learn that socialist critics of centralized power have been using the term "libertarian" for at least as long as their capitalist counterparts have. One recent LibCap writer offers his readers a short history of the use of "libertarian" as a political term, without ever mentioning that many opponents of capitalism have also considered themselves libertarians.⁴ (Libertarian Socialists often repay the favor by writing as though "libertarian" has always designated a purely socialist movement.) But there is a robust tradition of Libertarian Socialism (LibSoc), whose roots, like those of LibCap, run back to the radical movements of the seventeenth, eighteenth, and nineteenth centuries. At present the most prominent spokesman for this position is Noam Chomsky.

LibSocs share with LibCaps an aversion to any interference with freedom of thought, expression, or choice of lifestyle. But unlike LibCaps, LibSocs do not see the right to engage in market transactions, or to maintain exclusive control over one's private property, as examples of freedom in need of protection. Rather, LibSocs see capitalist

property relations as forms of domination, and thus as antagonistic to freedom. Yet, unlike other socialists, they tend (to various differing degrees, depending on the thinker) to be skeptical of centralized state intervention as the solution to capitalist exploitation, preferring a system of popular self-governance via networks of decentralized, local, voluntary, participatory, cooperative associations-sometimes as a complement to and check on state power, sometimes as a complete substitute for it. In this respect, LibSocs count as libertarians for the same reason LibCaps do: they both seek to empower individuals to govern their own lives through voluntary cooperation with one another, as opposed to top-down control of individuals by the state.⁵ Where they disagree is on the question of whether economic *laissez-faire* and the unregulated market represent an *instance* of, or instead an *obstacle* to, the freedom and empowerment that libertarians seek. This disagreement is a deeply important and often intractable one, of course; nevertheless, I think it should be seen more as a conflict over the proper implementation of a common ideal than as a conflict of ideals themselves.

The LibSoc and LibCap perspectives can be seen not only as the socialist and capitalist wings of a broader libertarian tradition, but also as the libertarian wings of the broader traditions of socialism and capitalism in general, traditions that each possess an anti-libertarian, authoritarian wing also. We can gain a better understanding of both LibSoc and LibCap by contrasting them with their authoritarian counterparts.

The libertarian and authoritarian wings of socialism share a common hostility to capitalist property relations; but authoritarian socialists (also known as state socialists) offer, as an antidote to capitalism, a powerful centralized state exercising control over every aspect of economic life. The turn-of-the-century Russian anarcho-communist Pyotr Kropotkin (1842-1921) offers a typical LibSoc indictment of authoritarian socialism:

The Anarchists consider the wage system and capitalist production altogether as an obstacle to progress. But they point out also that the State was, and continues to be, the chief instrument for permitting the few to monopolise the land, and the capitalists to appropriate for themselves a quite disproportionate share of the yearly accumulated surplus of production. Consequently, while combatting the present monopolisation of land, and capitalism altogether, the Anarchists combat with the same energy the State, as the main support of that system. . . . The State organisation, having always been . . . the instrument for establishing monopolies in favour of the ruling minorities, cannot be made to work for the destruction of these monopolies. The Anarchists consider, therefore, that to hand over to the State all the main sources of economical life-the land, the mines, the railways, banking, insurance, and so on - as also the management of all the main branches of industry, in addition to all the functions already accumulated in its hands (education, State-supported religions, defence of the territory, &c), would mean to create a new instrument of tyranny. State capitalism⁶ would only increase the powers of bureaucracy and capitalism. True progress lies in the direction of decentralisation, both *territorial* and *functional*, in the development of the spirit of local and personal initiative, and of free federation from the simple to the compound, in lieu of the present hierarchy from the centre to the periphery.⁷

Within the capitalist tradition, on the other hand, both libertarians and authoritarians agree in rejecting the monopolization of all economic power in the hands of the state-but there the resemblance ends. While LibCaps endorse unregulated

competition, authoritarian capitalists favor government provision of subsidies, protections, and grants of monopoly privilege to big business to insulate it from competition both foreign and domestic. Defenders of the business lobby argue that such "corporate welfare" is beneficial to society as a whole, because companies on which many workers and consumers depend (for jobs and products, respectively) deserve public assistance; in the United States, Lee Iacocca and the government bailout of Chrysler Motors come to mind. But LibCaps argue that such government favoritism creates a corporate elite with no incentive to cut costs, improve efficiency, or be responsive to the needs of its employees and customers. As one LibCap author notes:

The corporation had never been for markets, limited government, private property, or the other values associated with the business cause It had always tried to derive private advantage from public policy The corporation was created by people who thought the market generally inefficient, backward, a drag on progress, a difficulty to be gotten around From the dawn of the modern corporation ... the business lobby continued its campaign for public policies to keep prices high, provide subsidies and incentives, and control new entrants.⁸

Part of the hostility of LibCaps and LibSocs to one another derives from the fact that each libertarian camp tends to identify the other libertarian camp with that other camp's authoritarian counterpart. While this identification is generally a mistake, it is not entirely ungrounded, for many libertarians on both sides have failed to distance themselves sufficiently from the authoritarian wings of their movements. For example, many (though by no means all) LibSocs in this century have tended to downplay or apologize for the despotism and genocide practiced by Marxist regimes,⁹ while on the other side many (though again, by no means all) LibCaps have readily served as willing intellectual foot-soldiers in the corporatist-imperialist programs of Reaganism and Thatcherism.¹⁰ It is understandable that such conduct has led to some confusion.¹¹ But it is also true that-for the most part, with a few notable exceptions-neither libertarian camp has expressed much diligence in attempting to form an accurate picture of the other libertarian camp's beliefs. (In general, LibCaps and LibSocs have as distorted a view of each other as nonlibertarians have of both!)

These difficulties multiply when we turn to the third major libertarian movement of the present time-namely, the libertarian wing of what I shall call "conservative populism" (or "populism" for short). "Conservative populism" is my name for what in the United States generally goes by the name of the "patriot movement," though analogous movements without that label are to be found in other countries as well. The phenomenon of "citizens' militias" is currently the most visible, though not necessarily the most representative, aspect of this movement.

Like LibCaps, populists endorse such ideals as private property, school choice, reduced taxes, and the right to bear arms. Like LibSocs, however, populists are suspicious of free trade, usury, and finance capitalism. And, unlike both groups, populists tend to be traditionalists, culturally and morally conservative, anti-abortion, with strong religious commitments and a concern to protect their preferred way of life from being undermined by secular and foreign values.¹² On this much, populists are generally agreed.

However, the populist movement can also be divided into libertarian and authoritarian wings. Unlike LibCaps and LibSocs, Libertarian Populists (LibPops) do not use the term "libertarian" to describe themselves, but they share with their capitalist and socialist

counterparts a desire to effect a thoroughgoing redistribution of power from the state to freely associated individuals. By contrast, the authoritarian wing of populism opposes existing state power only because it seeks to replace such power with an oppressive regime of its own, in which populist values will be 'coercively imposed on the population. At its worst, authoritarian populism descends into the noxious morass of militant nativism, racism, and intolerance, calling for the subjugation of nonwhites, non-Christians, women, immigrants, and homosexuals, glorifying violence and bigotry, and making common cause with neo-Nazis. This side of the populist movement has received so much publicity that it is often taken as an accurate representation of the whole, and LibPops end up being tarred with the same brush, despite having no more in common with neo-Nazis than Chomsky's current political views have with Stalin's.¹³ As in the previous cases, this is partly the LibPops' own fault for not making stronger efforts to dissociate themselves from their authoritarian counterparts¹⁴-but it is also the fault of critics of populism who have been remarkably careless in getting their facts straight about the people and views they criticize.¹⁵

When I speak of "libertarianism," for the purposes of this essay I mean all three of these very different movements. It may be protested that LibCap, LibSoc, and LibPop are *too* different from one another to be treated as aspects of a single point of view. But they do share a common –or at least an overlapping-intellectual ancestry. LibSocs and LibCaps can both claim the seventeenth-century English Levellers and the eighteenth century French Encyclopedists among their ideological forebears; and all three groups (LibSocs, LibCaps, and LibPops) usually share an admiration for Thomas Jefferson and Thomas Paine. In the nineteenth century it was fairly common for libertarians in different traditions to recognize a commonality of heritage and concern;¹⁶ this mutual recognition has been largely lost sight of in the twentieth century, but is beginning' to return.¹⁷

To be sure, we should not lose sight of the differences among LibSocs, LibCaps, and LibPops. But we also should not commit the much more common error of allowing the differences to overshadow the common liberatory, anti-authoritarian impulse. Moreover, as we shall see, the need for an adequate theory of class - a need common to all three libertarianisms - may lie at the root of some of those differences.

III. THEORIES OF CLASS

Class analysis in the Western tradition begins in ancient Greece and Rome, with an approach I shall call the *republican theory of class*. Ancient theorists thought of classes in economic terms: the wealthy minority versus the poor majority. The chief task of ancient constitutional thought was to balance the interests and influence of each of these classes against the other, in order to prevent the rich from running roughshod over the poor, or vice versa. This goal was adopted in part for reasons of justice; the ancient republic was supposed to represent the interests of the entire people, not just one faction of them. But the goal also had a pragmatic justification: each class was powerful, the one because of its wealth and the other because of its numbers, and therefore no political system could long remain stable unless it could attract the support of both classes.

Ancient theorists disagreed about how best to achieve this balance. Conservatives like Thucydides, Aristotle, and Polybius (as well as Plato in his later years)¹⁸ favored the "mixed constitution," a combination of aristocracy and democracy; for their model they looked to Sparta, Rome, or the "ancestral constitution" of Athens under Solon. Ancient liberals like Demosthenes and Athenagoras, by contrast, thought that the mixed constitution undercompensated for the influence of the rich and overcompensated for the

influence of the poor; they favored instead the democratic system of post-Kleisthenean Athens (508-338 B.C.E.), where laws were passed by popular referendum and subjected to judicial review in jury courts manned by lot, and public officials were likewise picked by lot to ensure proportional representation. (As these examples show, Athenian democracy, contrary to popular misconception, was never a system of unchecked majority rule.) For us, democracy is synonymous with elections, but in ancient times elections were regarded as antidemocratic; the worry was that wealthy candidates would be better able to influence the electoral process and thus would be disproportionately represented in the government, a problem that random selection by lot avoids.

But both Greek liberals and Greek conservatives, while differing about means¹⁹ agreed on the basic premise that constitutional design should aim at achieving a balance between the rich and poor classes so that neither class could achieve complete domination over the other. It was this ancient republican perspective on classes that was inherited by the modern liberal and republican traditions, as represented by such thinkers as Machiavelli, Montesquieu, and Madison.

But in the eighteenth century, two new, more radical ways of thinking about class began to emerge. These radical approaches differed from traditional republican class analysis in identifying a particular class as *inherently exploitative*; the internal dynamic of this class was such that, if allowed to exist, it would inevitably gain and maintain the upper hand. Such a class in its nature could not be *checked*; the only solution was to *eliminate* it—not by exterminating its members, of course, but by destroying the class *as a class*, by removing from it the characteristics that made it the class it was.

One of these theories originated with Rousseau and was later inherited by Marx; I shall call it the *Rousseauvian theory of class*. Like its republican counterpart, the Rousseauvian theory identified classes in economic terms; the defining characteristic of a class was its economic status (in Marxist terms, its control over the means of production, e.g., land and capital equipment). But the Rousseauvian theory is pessimistic about the possibility of providing any reliable constitutional safeguard against the tendency of superior wealth to translate itself into superior power. Socioeconomic inequality inherently leads to oppression, and so must be eliminated in order to establish freedom; and since the ruling class is defined by its superior socioeconomic position, in abolishing inequality we abolish the ruling class as well.

The other radical approach had its roots in the writings of Rousseau's contemporary Adam Smith, but received its full development only in the nineteenth century: in France, by the followers of the economist Jean-Baptiste Say;²⁰ in England, by James Mill and the Philosophical Radicals; and in the United States, first by Jeffersonian agrarians like John Taylor and John Calhoun, and later by individualist anarchists like Lysander Spooner and Benjamin Tucker. I shall call it the *Smithian theory of class*.

Smith is often thought of today, by admirers and detractors alike, as a defender of business interests; but Smith saw himself as a defender of laborers and consumers against the "mercantile interest."²¹ Smith's defense of *capitalism* did not translate into a defense of *capitalists*; on the contrary, Smith maintained that businessmen never meet together without the conversation ending in a "conspiracy against the public." Smith's antagonism was not toward economic inequality as such; Smith had a positive-sum approach to economics, maintaining that the free market that allowed a few to amass vast fortunes also created dramatic improvements in the living conditions of the many. Rather, Smith's concern focused on the ability of the wealthy to use their wealth to influence the political process in their favor through governmental grants of subsidy and monopoly. The danger was not wealth per

se, but the ability of wealth to sway the counsels of state. It was this concern that Smith's French, English, and American admirers developed into a full-fledged theory of class. For the Smithian liberal, the source of the ruling class's dominant position was not its economic status as such, but its differential access to state power; the ruling and ruled classes were defined not by their relative socioeconomic position, but by the extent to which they were beneficiaries or victims of state power. One contemporary LibCap proponent of the Smithian theory of class explains the difference this way:

While Marxist class analysis uses the relationship to the mode of production as its point of reference, libertarian class analysis uses the relationship to the political means as its standard. Society is divided into two classes: those who use the political means, which is force, and those who use the economic means, which requires voluntary interaction. The former is the ruling class which lives off the labor and wealth of the latter.²²

By its nature, the Smithian theorists thought, a powerful state attracts special interests who will try to direct its activities, and whichever achieves the most sway (presumably by being the wealthiest) will constitute a ruling class. So long as this class holds the reins of power, attempts to check its influence will prove ineffective. Since the Smithian theory defines the ruling class as an artifact of state power, the way to attack that class is to go after state power instead. The anarchist wing of Smithian liberalism favored eliminating the state altogether; more moderate liberals favored keeping the state but severely curbing its power through structural and constitutional safeguards (and here they drew once more, though in a different context, on the checks and balances of republican tradition). The idea common to both anarchists and moderates, however, was that the key to a ruling class's power -is a powerful state, and that the ruling class must wither away if that power source is either eliminated or sufficiently curtailed. While Rousseauian socialists saw a ruling class as an elite group that developed its power in the cutthroat capitalist marketplace and then used this power to gain political domination as well, the Smithian liberals saw the state as the crucial source of power for elites, arguing that the power of such "special interests" could not survive in a free marketplace but depended crucially on special privileges from government. A power must exist" in order for it to be abused to benefit those with political pull; so every power we strip away from government is one more brick removed from the foundation that upholds the ruling class. Special interests cannot win favors from the state if it has no favors to give out.

Rousseau and his intellectual heirs, by contrast, were far less sanguine about the ability of market competition to keep the power of the rich in check. Unlike the positive-sum Smithians, Rousseau viewed the market as a zero-sum or even negative-sum process, in which those who gain can do so only at the expense of others who lose. For Rousseau, the ability of the rich to oppress the poor does not presuppose state intervention, but arises naturally even in the absence of government. As Rousseau views the historical process, it is the introduction of private property and the division of labor that puts an end to primitive anarcho-communism and leads to socioeconomic stratification and the emergence of a wealthy ruling class; that class then creates the political state in order to solidify the power it has already achieved on the market, thus ending the class struggle by winning it:

So long as men remained content with their rustic huts [and] adorned themselves only with feathers and shells ... so long as they undertook only what a single person could accomplish, and confined themselves to such arts as did not require the joint labour of several hands, they lived free, healthy, honest, and happy lives. . . . But from the moment one man began to stand in need of the help of another; from the moment it appeared advantageous to anyone man to have enough provisions for two, equality disappeared, property was introduced, work became indispensable, and vast forests became smiling fields, which man had to water with the sweat of his brow, and where slavery and misery were soon seen to germinate and grow up with the crops [I]t was iron and corn, which first civilized men, and ruined humanity No sooner were artificers wanted to smelt and forge iron, than others were required to maintain them . . . and as some required commodities in exchange for their iron, the rest at length discovered the method of making iron serve for the multiplication of commodities [T]he strongest did most work; the most skilful turned his labour to best account; the most ingenious devised methods of diminishing his labour Thus natural inequality unfolds itself [and] the difference between men, developed by their different circumstances, becomes more sensible and permanent in its effects [W]hen inheritances so increased in number and extent as to occupy the whole of the land, and to border on one another, one man could aggrandize himself only at the expense of another; at the same time the supernumeraries, who had been too weak or too indolent to make such acquisitions, and had grown poor . . . were obliged to receive their subsistence, or steal it, from the rich; and this soon bred, according to their different characters, dominion and slavery, or violence and rapine. The wealthy, on their part, had no sooner begun to taste the pleasure of command, than they disdained all others, and using their old slaves to acquire new, thought of nothing but subduing and enslaving their neighbours; like ravenous wolves, which, having once tasted human flesh, despise every other food and thenceforth seek only men to devour The new-born state of society thus gave rise to a horrible state of war Destitute of valid reasons to justify and sufficient strength to defend himself . . . the rich man, thus urged by necessity, conceived at length the profoundest plan that ever entered the mind of man: this was to employ in his favour the forces of those who attacked him "Let us join," said he, "to [establish] a supreme power which may govern us by wise laws ... and maintain eternal harmony among us." All ran headlong to their chains, in hopes of securing their liberty ... The most capable of foreseeing the dangers were the very persons who expected to benefit by them Such was, or may well have been, the origin of society and law, which bound new fetters on the poor, and gave new powers to the rich; which irretrievably destroyed natural liberty, eternally fixed the law of property and inequality, converted clever usurpation into unalterable right, and, for the advantage of a few ambitious individuals, subjected all mankind to perpetual labour, slavery, and Wretchedness.²³

The Marxist theory of the origin of classes essentially recapitulates that of Rousseau. As Friedrich Engels writes, in what seems almost a paraphrase of Rousseau's *Second Discourse*:

Civilization opens with a new advance in the division of labor Confronted by the new forces in whose growth it had had no share, the gentile constitution was helpless [H]ere was a society which by all its economic conditions of life had been forced to split itself into freemen and slaves, into the exploiting rich and the exploited poor Such a society could only exist either in the continuous open fight of these classes against one another or else under the rule of a third power, which, apparently standing above the warring classes, suppressed their open conflict and allowed the class struggle to be fought out at most in the economic field, in so-called legal form. The gentile constitution was finished. It had been shattered by the division of labor and its result, the cleavage of society into classes. It was replaced by the *state* As the state arose from the need to keep class antagonisms in check, but also arose in the thick of the fight between the classes, it is normally the state of the most powerful, economically dominant class, which by its means becomes also the politically dominant class and so acquires new means of holding down and exploiting the oppressed class.²⁴

But Rousseau was not the only influence on Marx and Engels, who actually drew on the Smithian theory of class as well. Indeed, Marx always acknowledged (if somewhat ironically) his debt to the "bourgeois economists," but of course he transformed the details of their theories in order to bring them more in line with the Rousseauvian position. As LibCap theorist Murray Rothbard notes:

Interestingly enough, the very Marxian phrase, the "replacement of government over *men* by the administration of *things*," can be traced, by a circuitous route, from the great French radical laissez-faire liberals of the early nineteenth century, Charles Comte (no relation to Auguste Comte) and Charles Dunoyer. And so, too, may the concept of the "class struggle"; except that for Dunoyer and Comte, the inherently antithetical classes were not businessmen versus workers, but the producers in society (including free businessmen, workers, peasants, etc.) versus the exploiting classes constituting, and privileged by, the State apparatus.²⁵

The French theorists [Comte, Dunoyer, and Thierry] developed the insight that Europe had originally been dominated by a ruling class of kings, or of feudal nobility. They believed that with the rise of capitalism and free markets, of "*industrialisme*," there would be no ruling class, and the class-run State would wither away, resulting in a "classless," Stateless, free society. Saint-Simon was originally a Comte-Dunoyer libertarian, and then in later life he, and particularly his followers, changed the class analysis while keeping the original categories, to maintain that employers somehow rule or exploit the workers in a free-market wage relationship. Marx adopted the Saint-Simonian class analysis so that Marxism to this day maintains a totally inconsistent definition of class: On Asiatic despotism and feudalism, the old libertarian concept of ruling class as wielder-of-State-power is maintained; then, when capitalism is discussed, suddenly the definition shifts to the employers forming a "ruling class" over workers on the free market. The alleged capitalist class rule over the State is only extra icing on the cake, the "super-exploitation" by an "executive committee" of a ruling class previously constituted on the market.²⁶

Since Rousseau and Marx saw the source of power for elites as the marketplace, they concluded that it was the marketplace that needed to be restrained (Rousseau) or eliminated (Marx), and that big government could be trusted, once the marketplace could no longer corrupt it, to wield dictatorial powers in a benign fashion either indefinitely (Rousseau) or until it was no longer necessary, at which point it would politely wither away (Marx). The Smithian liberals, by contrast, since they saw the state as the source of the dominant elites' power, concluded that it was the state that needed to be restrained or eliminated, and that the free market could be trusted to coordinate human interaction once the state could no longer intervene on behalf of the economic aristocracy.

Today's LibCaps, when they think about class at all, tend to endorse some version of the Smithian theory, and to reject the Rousseauvian alternative as bad economics. By contrast, LibSocs and LibPops consider LibCap faith in the beneficence of the unregulated market to be naive, and tend to be much more attracted to some version of the Rousseauvian theory, though they are likely to temper it with elements of the Smithian theory as well. Therefore, the fundamental question of class theory is also one of the main issues at the root of the divisions among the various libertarian camps; as Walter Grinder succinctly puts it: "Which comes first—classes and then the State or the State and then classes?"²⁷

IV. STATOCRATS AND PLUTOCRATS

We can gain a better understanding of the nature of a ruling class if we distinguish two possible subclasses within it: those who actually hold political office within the state, and those who influence the state from the private sector.

If the State is a group of plunderers, *who* then constitutes the State? Clearly, the ruling elite consists at any time of (a) the full-time *apparatus* - the kings, politicians, and bureaucrats who man and operate the State; and (b) the groups who have maneuvered to gain privileges, subsidies, and benefices from the State. The remainder of society constitutes the ruled.²⁸

I propose to call group (a) the *statocratic class* or *statocracy*,²⁹ and group (b) the *plutocratic class*, or *plutocracy*. It is self-evident that a statocratic class must depend for its power on the existence of the state; the question at issue between Smithians and Rousseauvians is whether the same is true of a plutocratic class as well.

For those who view society in terms of ruling classes, then, there are five salient possibilities.³⁰ One might accept the existence of a statocratic ruling class, but deny the existence of a plutocratic one; call this the *Statocracy-Only* position. Or one might accept the existence of a plutocratic ruling class, but deny the existence of a statocratic one; call this the *Plutocracy-Only* position. If instead one grants the existence of both statocratic and plutocratic classes, then three possibilities remain. First, one might think, with the Smithians, that the statocratic class is the basic source of oppression on which the power of the plutocratic class depends; call this the *Statocracy-Dominant* position. Second, one might think, with the Rousseauvians, that the plutocratic class is the basic source of oppression on which the power of the statocratic class depends; call this the *Plutocracy-Dominant* position. Finally, one might think that neither class is more

fundamental than the other, that statocrats and plutocrats represent equal and coordinate threats to liberty; call this the *Neither-Dominant* position.

What might motivate these various positions? Consider first the Plutocracy-Only view. To take this position is to deny that the state represents a significant source of oppression at all; political institutions are beneficent (or at least neutral), but they have not yet succeeded in overcoming the power of private wealth, the only true ruling class. This view or something like it is held by some socialists, but generally not by libertarian ones; suspicion of the state is central to libertarianism in all its forms.

A more attractive position for libertarians is the view I call Plutocracy-Dominant. On this view (essentially the Rousseauvian approach), the state is oppressive, yet not because of its inherent nature, but rather because it has become a tool of the plutocratic class. One LibSoc theorist who seems to subscribe to this view is Noam Chomsky:

[Y]ou can't get away from the fact that there are sharp differences in power which in fact are ultimately rooted in the economic system Objective power lies in various places: in patriarchy, in race. [But crucially, it lies in ownership The society [is] governed by those who own it That's at the core of things. Lots of other things can change and that can remain and we will have pretty much the same forms of domination.³¹

The government is far from benign-that's true. On the other hand, it's at least partially accountable, and it can become as benign as we make it.

What's not benign (what's extremely harmful, in fact) is ... business power, which is highly concentrated and, by now, largely transnational. Business power is very far from benign and it's completely unaccountable. It's a totalitarian system that has an enormous effect on our lives. It's also the main reason why the government isn't benign.³²

Although Chomsky is an anarchist, these remarks suggest that in his view the abolition of state power, while perhaps desirable, would be a matter of no great urgency in the absence of "business power."

This perspective is not confined to LibSocs. While LibPops are staunch defenders of inviolable private property at the level of homesteads and small businesses (and so would part company with the Rousseauvians when it comes to blaming oppression on private property as such), they see the power of big banks and corporations as a threat to liberty; and although they see "business power" as using the state for its ends, they seem to regard the former as the cause of the latter's malfeasance rather than vice versa. Consider, for example, LibPop criticisms of the U.S. Federal Reserve. Although in principle LibPops generally oppose central banking, one often gets the impression from their literature that it is the *private* character of the Federal Reserve that most attracts their ire, and that a central bank run directly by Congress would be far more acceptable to them. (By contrast, the typical LibCap objection to the Federal Reserve is that it is a government monopoly *rather* than a private bank.)

The Plutocracy-Only and Plutocracy-Dominant positions, whether in socialist or populist guise, rest on the assumption that while there is an internal dynamic within the capitalist market that leads to greater and greater centralization of power, there is no

analogous internal dynamic within the state itself. This is a difficult claim to believe. Public-choice economics has shown that politicians and bureaucrats respond to incentives in the same way that private individuals on the market do, and that the state's insulation from market competition makes many of those incentives perverse.³³ Moreover, considerable evidence suggests that states have an inherent tendency to grow and aggrandize power.³⁴

Not all LibSocs would agree with Chomsky's suggestion that the state would be benign without the influence of the business interest. When Marx invoked the Plutocracy-Dominant approach in calling for a "dictatorship of the proletariat" during the transitional phase between capitalism and anarcho-communism (on the theory that once it was no longer a tool of the capitalist class, a dictatorial state could be trusted to wield vast powers in the short run and wither a way in the long run), the Russian LibSoc anarchist Mikhail Bakunin took Marx to task for naivete about the internal dynamic of political power:

The question arises, if the proletariat is ruling, over whom will it rule? ... If there exists a state, there is inevitably domination [and] slavery What does it mean for the proletariat to be "organized as the ruling class"? ... Can it really be that the entire proletariat will stand at the head of the administration? . . . There are about forty million Germans. Will all forty millions really be members of the government? ... The entire nation will be governors and there will be no governed ones Then there will be no government, no state, but if there is a state, there will be governors and slaves So, in sum: government of the great majority of popular masses by a privileged minority. But this minority will be composed of workers, say the Marxists Of former workers, perhaps, but just as soon as they become representatives or rulers of the people *they will cease to be workers* And they'll start looking down on all ordinary workers from the heights of the state: they will now represent not the people but themselves and their claims to govern the people. He who doubts this simply doesn't know human nature They say that such a state yoke, a dictatorship, is a necessary transitional means for attaining the most complete popular liberation. So, to liberate the masses of the people they first have to be enslaved They maintain that only a dictatorship, their own naturally, can create the people's will; we answer: no dictatorship can have any other aim than to perpetuate itself, and it can only give rise to and instill slavery in the people that tolerates it ...³⁵

In effect, Bakunin was predicting the rise of what Milovan Djilas would later call the "New Class."³⁶ But Marx remained unpersuaded. To Bakunin's suggestion that workers in charge of the State would start to identify with statocratic rather than proletarian interests, and thus effectively cease to be members of the working class, Marx replied:

No more than a factory-owner ceases to be a capitalist nowadays because he has become a member of the town council. ... If Herr Bakunin knew even one thing about the situation of the manager of a workers' cooperative factory, all his hallucinations about domination would go to the devil.³⁷

Marx was convinced that an oppressive statocracy presupposes an independent plutocracy pulling the strings: cut the state's ties to the capitalist class, and an authoritarian centralized dictatorship would no longer pose any danger. In light of the horrors perpetrated by socialist regimes in this century, Marxist insouciance in the face of criticisms like Bakunin's must strike us today as chillingly unconvincing. In their confidence that a socialist dictatorship would govern benignly once established, and then politely wither away when its job was done, it is Marx and Engels who are now seen to have been "utopian socialists," while the anarchist critics they dismissed as idle dreamers turn out to have been the genuine hardheaded realists. Marxism, with its call for dictatorship now and anarchy later, represents a confused attempt to unite opposite tendencies, to merge the authoritarian and libertarian wings of socialism. Janus-headed, Marxism turns its left face toward Proudhon, Bakunin, and Kropotkin - and its right face toward Stalin, Mao, and Pol Pot.

If the Plutocracy-Only and Plutocracy-Dominant positions lack credibility, what of Statocracy-Only? Some LibCaps do seem to hold this view, regarding corporate interests as purely benign, and the victims of socialistic government oppression. Ayn Rand³⁸ (1905-1982), for example, called big business a "persecuted minority,"³⁹ and denied the very existence of the military-industrial complex.⁴⁰ To her credit, she did acknowledge that many businesses have historically looked to the state for political favors:

The giants of American industry-such as James Jerome Hill or Commodore Vanderbilt or Andrew Carnegie or J. P. Morgan-were self-made men who earned their fortunes by personal ability, by free trade on a free market. But there existed another kind of businessmen, the products of a mixed economy, the men with political pull, who made fortunes by means of special privileges granted to them by the government, such men as the Big Four of the Central Pacific Railroad. It was the political power behind their activities - the power of forced, unearned, economically unjustified privileges - that caused dislocations in the country's economy, hardships, depressions, and mounting public protests. But it was the free market and the free businessmen who took the blame.⁴¹

So long as a government holds the power of economic control, it will necessarily create a special "elite," an "aristocracy of pull," it will attract the corrupt type of politician into the legislature, it will work to the advantage of the dishonest businessman, and will penalize and, eventually, destroy the honest and the able The issue is not between pro-business controls and pro-labor controls, but between controls and freedom. It is not the Big Four against the welfare state, but the Big Four and the welfare state on one side-against J. J. Hill and every honest worker on the other.⁴²

All this *sounds* like the Statocracy-Dominant position. However, Rand seriously downplayed the importance of the "political pull" variety of businessmen, by treating the business lobby's use of bribery and influence-peddling as generally benign, thus moving to the Statocracy-Only position instead:

Yet what could the railroads do, except try to "own whole legislatures," if these legislatures held the power of life or death over them? What could the railroads do, except resort to bribery, if they wished to exist at all? Who was to blame and

who was" corrupt" -the businessmen who had to pay "protection money" for the right to remain in business-or the politicians who held the power to sell that right? ... [The railroad owners] had to turn to the practice of bribing legislators only in self-protection It was only when the legislatures began the blackmail of threatening to pass disastrous and impossible regulations that the railroad owners had to turn to bribery.⁴³

This view of American economic history is challenged by a great deal of current scholarly research, which shows that the call for governmental regulation of the economy was largely orchestrated by big business in the first place, as a way of securing its hold on the market and strangling competition.⁴⁴ Moreover, Rand's list of "good" businessmen – what historian Burton Folsom would call "market entrepreneurs" as opposed to "political entrepreneurs"⁴⁵ - shows the extent to which Rand underestimated the extent of the problem. James J. Hill of the Great Northern Railroad is plausible enough as an example of an independent "market entrepreneur" who refused to seek governmental favors, but Vanderbilt and Carnegie hardly fall into that category, while J. P. Morgan is its antithesis; indeed, it would be difficult to name any turn-of-the-century American businessman who did more to help build the regulatory pro-business regime than Morgan, the *consummate* "political entrepreneur."⁴⁶

Rand saw figures like Vanderbilt, Carnegie, and Morgan as market entrepreneurs because they were *self-made men*. True, their initial *acquisition* of wealth depended primarily on their own ability and initiative, not on political favoritism. From this fact, however, Rand made the erroneous inference that these men did not use their vast fortunes, once they had acquired them, to gain political advantage:

It is significant that the best of the railroad builders, those who started out with private funds, did not bribe legislatures to throttle competitors nor to obtain any kind of special legal advantage or privilege. They made their fortunes by their own personal ability-and if they resorted to bribery at all, like Commodore Vanderbilt, it was only to buy the removal of some artificial restriction, such as a permission to consolidate. They did not pay to *get* something from the legislature, but only to get the legislature out of their way. But the builders who started out with government help, such as the Big Four of the Central Pacific, were the ones who used the government for special advantages and owed their fortunes to legislation more than to personal ability It is only with the help of government regulations that a man of lesser ability can destroy his better competitors-and he is the only type of man who runs to government for economic help.⁴⁷

But this claim will not withstand historical scrutiny. Businessmen cannot be divided into two classes, one rising by economic means and using economic means thenceforth, and another rising by political means and using political means thenceforth. On the contrary, many of those who initially achieved their wealth simply through success on the free market, then used their new economic position to lobby the state for favors.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.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.⁵⁰

Thanks in part to Rand's influence, this attitude toward big business is fairly common in the conservative wing of the LibCap movement.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 represented 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 statist 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 *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 Friedman⁵⁵ 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 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 socioeconomic 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.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,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."⁵⁹ Friedrich Engels also attributed the Statocracy-Dominant position to LibSoc Bakunin.⁶⁰

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.⁶¹ 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] reputation 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 reemphasizing 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 capital" 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 stocratic 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 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 deemphasize 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 sexual and racial superiority.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 libertarianisms 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 libertarianisms, to gain a better understanding of its rivals' positions⁶⁸ 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 LibSocs 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.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 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:

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.⁷²

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 consulship 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 [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 ...⁷³

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.)⁷⁴

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 Etienne de la Boetie 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 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 makes itself seem indispensable to them by giving them handouts via welfare,⁷⁸ but at the same time, the state is vigorously redistributing money *up* the economic ladder via corporate welfare and the like.⁷⁹

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.⁸⁰ 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 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.⁸¹ 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.⁸² 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.)

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.⁸³ 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.⁸⁴

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 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.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, *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 *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, *love*, *hate*, and *greed*. Under *love* I rank all those motives that have as their end the satisfaction of the legitimate interests of other people. Under *hate* I rank all those motives that have as their end the frustration of those interests. And under *greed* I rank all those motives whose ends make no essential reference to the interests of others one way or the other.⁸⁶ (A person acting from greed may harm or benefit others, but only insofar as doing so happens, under the circumstances, 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 statistocratic 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 collapsing 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.)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.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 profession out of noncooperative behavior cannot be relied on to cooperate with you either.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 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 anyone 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.

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¹ Roderick T. Long, "Immanent Liberalism: The Politics of Mutual Consent," *Social Philosophy and Policy*, vol. 12, no. 2 (Summer 1995), p. 12, n. 26.

² An alternative possibility would be to abbreviate them as LC, LS, and LP, respectively. But "LP" is so commonly used within LibCap circles to designate the U.S. Libertarian Party that its use to designate some other aspect of libertarianism would be likely to generate confusion.

³ Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974). Indeed, for many academics *Anarchy, State, and Utopia* is the definitive statement of, indeed virtually interchangeable with, the Libertarian Capitalist position in general. Within the LibCap community itself, however, Nozick's work, while respected, is quite controversial and is the target of frequent criticism. "Nozick's book has come to enjoy canonical status among academics, who normally assign it to students as 'the' libertarian book, with little appreciation of the broader tradition of libertarian thinking and scholarship within which Nozick's work took shape." Tom G. Palmer, "The Literature of Liberty," in David Boaz, ed., *The Libertarian Reader: Classic and Contemporary Readings from Lao-tzu to Milton Friedman* (New York: The Free Press, 1997), p. 417.

⁴ David Boaz, *Libertarianism: A Primer* (New York: The Free Press, 1997), pp. 22"-26. A welcome exception to LibCap silence on the existence of LibSocs is Jerome Tuccille, *Radical Libertarianism* (San Francisco: Cobden Press, 1985), p. 36ff.

⁵ Hence, a number of libertarians have hoped for a rapprochement between the LibCap and LibSoc approaches. The issue of capitalism vs. socialism is irreconcilable if one views it in terms of political control. For whenever appeals are addressed to a central governing agency, an allpowerful, all-pervasive authority with the power to take away and dispense favors ... the public will divide itself into two general camps and organize myriad lobby groups to pressure those in command for 'favorable' legislation [Both] capitalist and socialist schools of anarchy ... are united on the most crucial question of all: the absolute necessity for people to take control over their own lives, and the dismantling and final elimination of state authority over the life of man Their major disagreement is one of personal attitudes concerning the makeup of human nature itself Who is right? Is there any way of reconciling these two opposing views of human nature without resorting to violence, pressure politics, or deceit? ... The Left and Right can be harmonized only under anarchy Here is the broad spectrum of libertarianism; of voluntarism in the intellectual, economic, social, and spiritual life of society The main purpose here is to demonstrate the concept of radical decentralization as a viable alternative to our present centralized and chaotic system. It is to show how a bridge can be made between the individual and the collective, the socialist and the capitalist mentality, without resorting to force and coercion. (Tuccille, *Radical Libertarianism*, pp. 31-58; d. also my "Immanent Liberalism," pp. 26-31)

⁶ The term "state capitalism" has been common for some time among political radicals of various ideological stripes, but it is frequently used in two different senses. In one sense, "state capitalism" refers to state intervention in the marketplace to promote the interests of the corporate elite; here it is synonymous with authoritarian capitalism. In the other sense, "state capitalism" refers to a state's monopolizing all economic activity and resources under its own control so that the nation as a whole may act as a single firm; here it is synonymous with authoritarian socialism. Kropotkin is using the term in this second sense.

⁷ Peter Kropotkin, *Anarchism and Anarchist Communism* (London: Freedom Press, 1993), pp.8-9.

⁸ Paul H. Weaver, *The Suicidal Corporation* (New York: Simon and Schuster, 1988), pp. 99-116.

⁹ Among the notable exceptions: in the 1920s, the anarcho-socialist couple Emma Goldman and Alexander Berkman were among the earliest critics of the Soviet regime. See Emma Goldman, *My Disillusionment in Russia* (New York: Crowell, 1970); and Alexander Berkman, *The Bolshevik Myth* (London: Pluto Press, 1989).

¹⁰ This is not to deny that there were genuinely LibCap elements to the programs of Reagan and Thatcher, though I think those elements have been greatly exaggerated.

¹¹ There are still other sources of confusion. Libertarian and authoritarian versions of capitalism have both called themselves "socialist" upon occasion (e.g., Benjamin Tucker's "voluntary socialism" and Adolf Hitler's "National Socialism," respectively). Indeed, some LibCaps claim to be the only true "Socialists," since they favor social power over state power. To add to the confusion, not only do LibCaps and LibSocs generally deny one another's libertarian credentials, but also within each movement one finds *both* writers who take anarchism as a prerequisite for being a

libertarian, *and* writers who take the *rejection* of anarchism as a prerequisite for being a libertarian. Then there is the ongoing dispute about the relation between libertarianism and liberalism: Is either LibCap or LibSoc a version of liberalism? Is LibCap identical with classical liberalism, or is it a subset of it, or does it merely overlap with it? Do non-classical liberals count as genuine liberals? And so on!

¹² Of course, these are only generalizations, with many individual exceptions. For example, I have certainly met LibCaps and LibSocs who opposed abortion rights, and LibPops who supported them.

¹³ Some examples may be helpful. Groups like the Aryan Nation and the Ku Klux Klan are obvious examples of authoritarian populism at its most racist extreme. The weekly populist newspaper *The Spotlight* is an unsettling mix of libertarian aspects with moderately authoritarian-racist aspects. The "militia movement," broadly defined, also appears to include groups from both camps. By contrast, the U.S. Taxpayers Party and the secessionist "Republic of Texas" movement-as near as I can tell-appear to be *predominantly* LibPop and anti-racist, though these movements might not be a LibCap's or LibSoc's cup of tea. (By the "Republic of Texas" movement I mean the main organization, not the splinter group – repudiated by the main group - that made the news in 1997 by seizing hostages!)

¹⁴ In addition, canny politicians like Pat Buchanan have learned to pitch their message in such a way as to appeal to substantial numbers of populists in both the libertarian and authoritarian camps.

¹⁵ In a number of instances, peaceful, tolerant anti-statists (in some cases not even populist in orientation) have been labeled "white supremacists" or members of "Aryan hate groups" by critics who never bothered to discover that the persons so labeled were in fact Jewish or black.

¹⁶ For example, the contributors to *Liberty*, the leading American anarchist journal of the day, drew inspiration equally from Pierre-Joseph Proudhon and Herbert Spencer.

¹⁷ A few examples: *Nation* columnists Christopher Hitchens and Alexander Cockburn, both broadly LibSoc in orientation, have expressed some sympathy for the LibCap and LibPop movements, respectively; LibSoc Noam Chomsky acknowledges an intellectual debt to LibCap idol Adam Smith; U.S. Congressman Ron Paul has attracted a following that includes both LibCaps and LibPops; "Community technologist" Karl Hess is admired by both LibCaps and LibSocs; followers of Henry George engage in dialogue with LibCaps and LibSocs; and the International Society for Individual Liberty, a LibCap organization, addresses concerns important to both LibSocs and LibPops. One might also include the highly influential LibCap theorist Murray Rothbard, who in the 1960s and 1970s made common cause with LibSocs, and in his later years became associated instead with LibPops. Unfortunately, Rothbard's outreach to socialists and populists did not always confine itself to the libertarian aspects of those movements. During his socialist-friendly days, Rothbard cheered the Communist sack of Saigon (on the rather dubious grounds that the fall of any state is an event to celebrate, regardless of what replaces it), while in his later, populist-friendly days he (along with his associates at the Ludwig von Mises Institute) condoned the Los Angeles Police Department's beating of Rodney King.

¹⁸ I am thinking in particular of the *Laws*, where Plato defends a version of the mixed constitution, as opposed to such earlier writings as the *Republic* (and, to a lesser extent, the *Statesman*), where Plato relies on virtuous rulers rather than on constitutional devices to safeguard the public interest.

¹⁹ The ancient liberals arguably had the better case; for discussion, see my "The Athenian Constitution: Government by Jury and Referendum," *Formulations*, vol. 4, no. 1 (Autumn 1996), pp. 7-23, 35.

²⁰ The most important in this context were Charles Comte, Charles Dunoyer, Augustin Thierry, Frederic Bastiat, and Gustave de Molinari. For a good introduction, see Leonard P. Liggio, "Charles Dunoyer and French Classical Liberalism," *Journal of Libertarian Studies*, vol. 1, no. 3 (Summer 1977), pp. 153-78; and David M. Hart, "Gustave de Molinari and the Anti-Statist Liberal Tradition: Part I," *Journal of Libertarian Studies*, vol. 5, no. 3 (Summer 1981), pp. 263-90; cf. also Ralph Raico, "Classical Liberal Exploitation Theory," *Journal of Libertarian Studies*, vol. 1, no. 3 (Summer 1977), pp. 179-83; Mark Weinburg, "The Social Analysis of Three Early Nineteenth Century French Liberals: Say, Comte, and Dunoyer," *Journal of Libertarian Studies*, vol. 2, no. 1 (1978), pp. 45-63; and Joseph T. Salerno, "Comment on the French Liberal School," *Journal of Libertarian Studies*, vol. 2, no. 1 (1978), pp. 65-68.

²¹ See Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (William Benton Pub., 1952), p. 211:

The capricious ambition of kings and ministers has not, during the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers That it was the spirit of monopoly which originally both invented and propagated this [mercantilist] doctrine cannot be doubted;

and they who first taught it were by no means such fools as they who believed it. ... [T]he interested sophistry of merchants and manufacturers confounded the common sense of mankind. Their interest is, in this respect, directly opposed to that of the great body of the people.

²² Wendy McElroy, "Introduction: The Roots of Individualist Feminism in Nineteenth Century America," in McElroy, ed., *Freedom, Feminism, and the State: An Overview of Individualist Feminism*, 2d ed. (New York: Holmes and Meier, 1992), p. 23.

²³ Jean-Jacques Rousseau, *Discourse on the Origin of Inequality*, in Rousseau, *The Social Contract and Discourses*, trans. G. D. H. Cole et al. (London: J. M. Dent, 1982), pp. 83-89.

²⁴ Frederick Engels, *The Origin of the Family, Private Property, and the State*, trans. Alec West et al. (New York: International Publishers, 1985), pp. 224-31.

²⁵ Murray N. Rothbard, *Left and Right: The Prospects for Liberty* (Washington, DC: Cato Institute, 1982), p. 7.

²⁶ Murray N. Rothbard, "Concepts of the Role of Intellectuals in Social Change Toward Laissez Faire," *Journal of Libertarian Studies*, vol. 9, no. 2 (Fall 1990), p. 66, n. 30; d. Rothbard, "The Laissez-Faire Radical: A Quest for the Historical Mises," *Journal of Libertarian Studies*, vol. 5, no. 3 (Summer 1981), pp. 244-45.

²⁷ Walter E. Grinder, "Introduction," in Albert Jay Nock, *Our Enemy the State* (New York: Free Life Editions, 1973), p. xx.

²⁸ Murray N. Rothbard, *For a New Liberty: The Libertarian Manifesto*~ rev. ed. (San Francisco: Fox and Wilkes, 1994), p. 52. Unfortunately, Rothbard does not go on to tell us much about the dynamic between these two components.

²⁹ I borrow these terms from Bertrand de Jouvenel, who defines "statocrat" as "a man who derives his authority only from the position which he holds and the office which he performs in the service of the state." See Bertrand de Jouvenel, *On Power: The Natural History of Its Growth*, trans. J. F. Huntington (Indianapolis: Liberty Fund, 1993), p. 174, n. 4.

³⁰ These five are not the only possibilities, of course. Indeed, I shall be arguing that none of them gets it exactly right. But the sixth approach that I favor will not become salient until we see what is wrong with the initially salient five.

³¹ Noam Chomsky, *Keeping the Rabble in Line* (Monroe: Common Courage Press, 1994), pp.109-11.

³² Noam Chomsky, *Secrets, Lies, and Democracy* (Tucson: Odonian Press, 1994), p. 37: Yet Chomsky does distinguish, as many LibCaps would, between a free-market system and the kind of economic system favored by plutocrats: "Any form of concentrated power, whatever it is, is not going to want to be subjected to popular democratic control or, for that matter, to market discipline. Powerful sectors, including corporate wealth, are naturally opposed to functioning democracy, just as they're opposed to functioning markets, for themselves, at least" (*Keeping the Rabble in Line*, p. 242).

³³ See, for example, James M. Buchanan and Robert D. Tollison, eds., *The Theory of Public Choice: Political Applications of Economics* (Ann Arbor: University of Michigan Press, 1972); and Gordon Tullock, *The Economics of Special Privilege and Rent Seeking* (Boston: Kluwer, 1989).

³⁴ See, for example, Robert Higgs, *Crisis and Leviathan: Critical Episodes in the Growth of American Government* (Oxford: Oxford University Press, 1987).

³⁵ Bakunin, in "After the Revolution: Marx Debates Bakunin," in Robert C. Tucker, ed., *The Marx-Engels Reader*, 2d ed. (New York: W. W. Norton, 1978), pp. 542-48.

³⁶ Milovan Djilas, *The New Class: An Analysis of the Communist System* (New York: Frederick A. Praeger, 1957). Interestingly, Djilas seems to regard the Plutocracy-Dominant position as a viable explanation of most class systems, while treating the Soviet regime as an exception: "In earlier epochs the coming to power of some class, some part of a class, or some party, was the final event resulting from its formation and development. The reverse was true in the U.S.S.R." (p. 38).

³⁷ Marx, quoted in *ibid.*, p. 546.

³⁸ Ayn Rand and her "Objectivist" followers (the orthodox ones, at least) would not accept the title "libertarian." Indeed, one prominent Randian, Peter Schwartz, has authored a thundering condemnation of the entire LibCap movement. (See Schwartz, *Libertarianism: The Perversion of Liberty* [New York: The Intellectual Activist, 1986]; a revised and condensed version appears in Ayn Rand et al., *The Voice of Reason: Essays in Objectivist Thought*, ed. Leonard Peikoff [New York: Penguin, 1989], pp. 311-33.) But I challenge anyone to construct criteria that are simultaneously broad enough to include the major thinkers and traditions of the LibCap movement yet narrow enough to exclude Rand. In my judgment, Rand and her followers should be considered Libertarian Capitalists whether they like the label or not, since the features of the LibCap position they reject are either (a) held by only *some* LibCaps and therefore not essential to the LibCap position, or (b) not held by *any* LibCaps at all and therefore based on misunderstandings (often fantastic ones). Randians try to distance themselves from LibCaps on the grounds that the LibCap movement tolerates a number of different philosophical approaches to grounding libertarianism, while Randians insist that Ayn Rand's Objectivist approach provides the only acceptable grounding. But this is a bit like denying the existence of God yet declining to be called an atheist on the grounds that there are many different kinds of atheists with grounds for disbelief different from one's own; disbelief in God makes one an atheist, regardless of how one feels about other atheists.

³⁹ Ayn Rand, "America's Persecuted Minority: Big Business," in Rand et al., *Capitalism: The Unknown Ideal* (New York: New American Library, 1970), pp. 44-62.

⁴⁰ "Something called 'the military-industrial complex'-which is a myth or worse-is being blamed for all this country's troubles." Ayn Rand, "Philosophy: Who Needs It," in Rand, *Philosophy: Who Needs It* (Indianapolis: Babbs-Merrill, 1982), p. 10. On the same page, Rand wrote, breathtakingly, that "the United States Army [is] the army of the last semi-free country left on earth, yet [it is] accused of being a tool of imperialism-and 'imperialism' is the name given to the foreign policy of this country, which has never engaged in military conquest. ... Our defence budget is being attacked, denounced, and undercut [and] a similar kind of campaign is conducted against the police force." Despite Rand's fierce anti-statism, her equally fierce Vietnam-era pro-American patriotism had a tendency to lead her into what can only be described as astonishingly naive statements, not only about the plutocracy but about the statocracy itself. (Most LibCaps would have a far more skeptical assessment of U.s. foreign policy, for example.)

⁴¹ Rand, "America's Persecuted Minority," pp. 48-49.

⁴² Ayn Rand, "Notes on the History of American Free Enterprise," in Rand et al., *Capitalism*, pp. 108-9.

⁴³ *Ibid.*, pp. 107- 8.

⁴⁴ For a LibSoc analysis, see Gabriel Kolko, *Railroads and Regulation* (Princeton: Princeton University Press, 1965); and Kolko, *The Triumph of Conservatism* (Chicago: Quadrangle Publishing, 1967). For a LibCap analysis, see Roy A. Childs, Jr., "Big Business and the Rise of American Statism," in Joan Kennedy Taylor, ed., *Liberty against Power: Essays by Roy A. Childs, Jr.* (San Francisco: Fox and Wilkes, 1994), pp. 15-47, as well as Weaver, *The Suicidal Corporation*.

⁴⁵ Burton W. Folsom, *The Myth of the Robber Barons* (Herndon: Young America's Foundation, 1991), pp. 1-2:

Those [entrepreneurs] who tried to succeed ... primarily through federal aid ... we will classify as *political entrepreneurs*. Those who tried to succeed ... primarily by creating and marketing a superior product at a low cost we will classify as *market entrepreneurs*. No entrepreneur fits perfectly into one category or the other, but most fall generally into one category or the other. The political entrepreneurs often fit the classic Robber Baron mold; they stifled productivity (through monopolies and pools), corrupted business and politics, and dulled America's competitive edge. Market entrepreneurs, by contrast, often made decisive and unpredictable contributions to American economic development.

⁴⁶ In *Liberty against Power*, pp. 30, 38-39, 41-43, Roy Childs offers a LibCap analysis of Morgan less favorable than Rand's:

[S]uch key figures in the Progressive Era as J. P. Morgan got their starts in alliances with, the government J. P. Morgan & Co sponsored legislation to promote the formation of "public utilities," a special privilege monopoly granted by the state AT&T, controlled by J. P. Morgan as of 1907, also sought regulation. The company got what it wanted in 1910, when telephones were placed under the jurisdiction of the ICC, and rate wars became a thing of the past. ... Morgan, because of his ownership or control of many major corporations, was in the fight for regulation from the earliest days onward. Morgan's financial power and reputation were largely the result of his operations with the American and European governments One crucial aspect of the banking system at the beginning of the 1900s was the relative decrease in New

York's financial dominance and the rise of competitors. Morgan was fully aware of the diffusion of banking power that was taking place, and it disturbed him From very early days, Morgan had championed the cause of a central bank, of gaining control over the nation's credit through a board of leading bankers under government supervision J. P. Morgan, the key financial leader, was also a prime mover of American statism.

⁴⁷ Rand, "Notes," p. 108.

⁴⁸ In the same way, Folsom (in *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, *The Triumph of Conservatism*, pp. 63-64, 78.

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 Manichaeic ethical stance into other people's motivations. Real people are messier and more complicated than the streamlined characters of an Ayn Rand novel.

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, *Libertarianism*, p. 17), the response of Randian orthodoxy was to dismiss this clearly Smithian-liberal analysis as "blatantly Marxist" (*ibid.*, p. 17), with no apparent recognition of its pre-Marxist historical provenance.

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.

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: Cambridge University Press, 1985), pp. 175-76. While this criterion's validity can be no more than *ceteris paribus*, it does cast a most instructive light on the policy positions traditionally adopted by left-wing and right-wing political parties.

⁵⁴ Long, "Immanent 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.

⁵⁶ David Friedman, *The Machinery of Freedom: Guide to a Radical Capitalism*, 2d ed. (La Salle: Open Court, 1989), pp. 154-55.

⁵⁷ Grinder, "Introduction," pp. xviii-xix; d. Hans-Hermann Hoppe, "Marxist and Austrian Class Analysis," *Journal of Libertarian Studies*, vol. 9, no. 2 (Fall 1990), pp. 86-87:

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.

Cf. also Walter E. Grinder and Jojm Hagel III, "Toward a Theory of State Capitalism: Ultimate Decision-Making and Class Structure," *Journal of Libertarian Studies*, vol. I, no. 1 (1977), pp. 59-79.

⁵⁸ Alexander Berkman, "The ABC of Anarchism," in Gene Fellner, ed., *Life of an Anarchist: The Alexander Berkman Reader* (New York: Four Walls Eight Windows, 1992), p. 300:

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.

⁵⁹ *Ibid.*, p. 285.

⁶⁰ Friedrich Engels, "Versus the Anarchists," in Tucker, ed., *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 protect 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.

⁶² James J. Martin, *Men against the State: The Expositors of Individualist Anarchism in America, 1827-1908* (Colorado Springs: Ralph Myles, 1970), pp. 271-73.

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 Riistow, *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 form an effective conspiracy (because the number of people that need to be involved to pull off a major change is smaller); so we should predict that more conspiracies will indeed occur in societies with centralized power. However, it is also true that incentive structures can coordinate human activities in ways that involve no conscious cooperation. LibPops seem to see the visible hand everywhere; LibSocs are more aware of invisible-hand explanations, and thus tend to produce somewhat more sophisticated analyses.

⁶⁵ McElroy, *Freedom, Feminism, and the State*, pp. 21-22.

⁶⁶ *Ibid.*, pp. 22-23.

⁶⁷ I am thinking in particular of Michael Levin and Charles Murray. See Michael E. Levin, *Feminism and Freedom* (New Brunswick: Transaction Books, 1987); Richard J. Herrnstein and Charles Murray, *The Bell Curve: Intelligence and Class Structure in American Life* (New York: Free Press, 1994).

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.

⁶⁹ A regular police force was not introduced in Rome until the Empire, during the reign of Augustus.

⁷⁰ M. I. Finley, *Politics in the Ancient World* (Cambridge: Cambridge University Press, 1994), pp. 18-24, 45.

⁷¹ *Ibid.*, p. 107.

⁷² Tom Bell, "Polycentric Law," *Humane Studies Review*, vol. 7, no. 1 (1991/92), p. 5.

⁷³ Livy, *The Early History of Rome*, trans. Aubrey de Selincourt (London: Penguin, 1988), p.269.

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.

⁷⁵ Etienne de la Boetie, *The Politics of Obedience: The Discourse of Voluntary Servitude*, trans. Harry Kurz (New York: Free Life Editions, 1975), pp. 77-78.

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).

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.

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 statist 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.

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).

⁸⁵ If discrimination did not follow a common pattern, it would be far less problematic. That is, if it were a purely *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 *systematically* disadvantaged across the board. This result is what makes discrimination so especially objectionable.

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 "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.)

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.

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.

⁸⁹ The distinction was first brought to my attention by Bryan Caplan.

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-a.-vis each other than vis-a.-vis outsiders. That is also why the monarchies of different countries have sought to join their families by marriage.