

# Nietzschean Libertarianism

*The how and why of the free market morality*

Thesis

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"My dear friend, what is our life? A boat that swims in the sea, and all one knows for certain about it is that one day it will capsize. Here we are, two good old boats that have been faithful neighbours, and above all your hand has done its best to keep me from capsizing. Let us then continue our voyage - each for the other's sake, for a long time yet, a long time! We should miss each other so much! Tolerably calm seas and good winds and above all sun - what I wish for myself, I wish for you, too, and am sorry that my gratitude can find expression only in such a wish and has no influence at all on wind or weather" (Nietzsche, 1881).

To my brother Frederick.

## Introduction

This thesis is to guide its readers through an alternative interpretation of the morality of the economic system known as free market capitalism, embodied in the philosophy of libertarianism.

I personally came into contact with economics and philosophy at a very early age and never stopped contemplating and inquisitively exploring either subject ever since. As time went on, it became ever more clear to me that the classic arguments made in support of mainstream political ideologies, and the economic worldviews which they spawned along with them, did not give any satisfying or coherent answers to what I consider to be fundamental questions. Furthermore, the deeper I dug, the more I noticed that many of my contemporaries were dealing with the same problem.

Recognizing this, my own efforts have not been directed at deriving an *is* from an *ought*, but an *ought* from an *is*. Hume famously quipped that since an "*ought*, or *ought not*, expresses some new relation or affirmation, 'tis necessary that it should be observed and explained; and at the same time that a reason should be given; for what seems altogether inconceivable, how this new relation can be a deduction from others, which are entirely different from it" (Hume, 1739:469). Thus, instead of starting solely from abstract economic and philosophical theory - only to end up having to realize that reality cannot be forced to fit either - it should perhaps prove to be a better investment of time and effort to start from reality and try to understand why those existing theories - intriguing as they might be - do not explain it. I believe this to be a crucial factor, the acknowledgment of which is often lacking in many ethical as well as economical theories and frameworks on either side of the current economical and political spectra.

Although it is not always recognized as such, in the end any and all governmental policies are in their most basic form nothing but a selection and implementation of the ideological viewpoints of their creators (Robeyns, 2003:43-44), which are applied on groups of citizens who either by chance or by choice happen to be living under their rule. It is clear that this presents citizens as well as possible "policy makers" with some very tough decisions indeed (Bonvin, 2002:9). We are therefore obliged to thoroughly think about what exactly the role of a particular government<sup>1</sup> as well as that of the individual on his own entails.<sup>2</sup>

But that which this paper means to discuss digs yet a bit deeper: can the answer to this fundamental question even be justifiably determined by anybody but the individuals themselves, and when and if governments appear to somehow be warranted, then of what kind and by what morally justifiable right do we as individuals (despotism) or as a group (democracy) presume to decide over the lives of others?

In sum, this thesis at its core is meant to provoke its reader into rethinking the reasons behind his or her personal stance towards the socially relevant problem of

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<sup>1</sup> Throughout this paper I will be using the terms "government" and "State" interchangeably; for all intents and purposes they are, at the very least within the context of this thesis, synonyms.

<sup>2</sup> For an initial inquiry on my part into the problem of such a selection, see (Cieters, 2009) and (Cieters, Schietse, 2009). The contents of these papers are also integrated in this thesis.

the seemingly endless debate between collectivism and individualism. Along the way I will present my own defence of the latter on both economical as well as ethical grounds, since "after decades of experience with socialism, it is safe to say that most intellectuals outside the areas - Eastern Europe and the Third World - where socialism has been tried, remain content to brush aside what lessons might lie in economics, and are unwilling to wonder whether there might not be a reason why socialism, as often as it is attempted, never seems to work out as its intellectual leaders intended" (Hayek, 1988:85).

At the time of writing, capitalism and everything related to it has received a generally negative reputation, while - spurred on all the more by times of economic crisis - collectivistic and statist sentiment and discourse are making a steady return in the hearts and minds of many of my contemporaries (see for example (Collins, 2008), (Bell, 2008), (Gumbel, 2009) and (Robbins, 2009)). I believe the reasons behind both phenomena to be utterly mistaken, and I intend to demonstrate why.

In the words of Rand in her famous novel *Atlas Shrugged*, "the spread of evil is the symptom of a vacuum. Whenever evil wins, it is only by default: by the moral failure of those who evade the fact that there can be no compromise on basic principles" (Rand, 1967:149). Murder remains murder and theft remains theft, with or without the cheerful support of a democratic majority and no matter what name is given to it.<sup>3</sup>

As the passing decades of peace and prosperity in the Western world start to blur the costly and bloody lessons that were learned by previous generations, there is a need to keep the memories of moral decay and its consequences alive in my own.<sup>4</sup> Not only for my personal sake, but also for the sake of likeminded individuals all over the world, the people who I hold dear, and those who will eventually follow our footsteps.

Indeed, "we have gone through a period when too many children and people have been given to understand 'I have a problem, it is the Government's job to cope with it' or 'I have a problem, I will go and get a grant to cope with it', 'I am homeless, the Government must house me' and so they are casting their problems on society, and who is society? There is no such thing! There are individual men and women and there are families; no government can do anything except through people, and people look to themselves first" (Thatcher, 1987).

I will therefore start by explaining the how and why of what are generally seen as the fundamental principles of libertarian thought. From there on I will discuss the difficulties that some of the theories within capitalist philosophy itself (like minarchy) encounter when compared with their supposed points of origin. Throughout this process I will simultaneously contrast the differences and effects of the individualistic fundamentals of capitalism and libertarianism thought with the collectivistic notions of socialist ideologies, both through theory as well as through practical historical and contemporary examples. In the final Chapter I will ultimately formulate my own conclusions to the problems I encountered.

I hold that these questions are not a thing of the past, and neither are their answers. During this search one can only hope to stumble upon the seeds of a differing idea,

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<sup>3</sup> More on the use of democracy as a supposed moral justification of theft later in this paper.

<sup>4</sup> See for example the case of East-German youth in (Der Spiegel, 2007).

aimed at leading to the beginning of a more realistic framework within which the theoretical outcome brings us closer to actual practice than current moral philosophy of economics seems to be capable of.

Everything which follows from this point on is based on my personal interpretation and usage of the thoughts and words of the people who I cite throughout this paper. Five of them in particular have allowed me to take that which I have from childhood on instinctively felt, and over the years helped shape it into fully conscious and above all explainable thought. This warrants them a special mention from the start. These individuals are Friedrich August von Hayek (minarchism), Friedrich Wilhelm Nietzsche (the will to power), Murray Newton Rothbard, Hans-Hermann Hoppe, and, last but certainly not least, Ludwig Heinrich Edler von Mises (libertarianism).

I have no doubt that any one of them would severely disagree with several things discussed in this paper. But this, in fact, is exactly what this thesis is about: a differing view on the things that kept these great minds enthralled for many of their countless restless days and sleepless nights, distilled and synthesized during those of my own. I wish to be clear in recognizing that the separate components as such are neither new nor unheard of, but I do believe that there is something to be said for the peculiar relevance of their combination, however unlikely a synergy it may at first glance appear to be.

This thesis is part of my work in promoting human liberty and dignity as I myself see it, to the best of my abilities and in the hopes of inspiring others to do the same.

## 1. On Freedom<sup>5</sup>

The content of human freedom is often experienced as a confusing and rather vague concept (Sen, 2003:7). There are several ways of defining freedom, and one needs to be very clear about the one that is being aimed for (Berlin, 1969:Ch. 3.1) as the use of the term is highly dependent on the freedom interpretation of the interpreter who wishes to apply it (Cieters, Schietse, 2009:10).

Particularly, the idea that freedom consists in not (or as minimally as possible) being subjected to risks, dangers or problems (positive liberty), is something altogether different from interpreting freedom as being able to do as one pleases without interference by other individuals or the State (negative liberty).

Positive liberty is "the possibility of acting - or the fact of acting - in such a way as to take control of one's life and realize one's fundamental purposes" thanks to the existence of predetermined positive rights (Carter, 2003:1). In the view of positive liberty, certain unwanted obstacles and inequalities (at least those which are perceived as such) are to be eradicated through governmental action. One's freedom lies in other words in the existence of provisions (positive) on the basis of what is considered to be important by the provider (which within the context of political philosophy is the external authority in the form of the State). Positive liberty - in estimating that liberty stems from what is provided by an external party - is the liberty meant by egalitarian and collectivistic ideologies which form the ethical foundation of movements ranging from communism and socialism up to and including what some call "modern liberalism" (Cieters, Schietse, 2009:8). Those adhering to this view claim that "the objective of both justice and poverty reduction should be to expand the freedom that deprived people have, to [enable them to] enjoy *valuable* beings and doings" (Alkire, 2006:117, emphasis added).

Negative liberty on the other hand is defined as "the absence of interference" (Carter, 2003:1). It is the answer to the question: "what is the area within which the subject - a person or group of persons - is or should be left to do or be what he is able to do or be, without interference by [or interfering with] other persons" (Berlin, 1969:121). Negative liberty is in short the liberty meant by libertarianism and anarcho-capitalism (explicitly).

An example to clarify this fundamental difference. Say that John considers himself to be an artist. Whether John can paint or not is irrelevant, he is convinced of his own talent and that is all that matters to him. One of his most important ends would be to spend his days painting, as this would lead to his enjoyment of perhaps his most "valuable being" and personal happiness. Suppose that his paintings end up having no commercial worth and John is unable to find people who are freely willing to support his activities. John in other words would end up poor and unsuccessful if left to his own devices.

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<sup>5</sup> As some of my readers might recognize, this starting Chapter of my thesis is mostly a rewritten version of what I already covered in my preliminary thesis proposal (Cieters, 2009). As I already spent quite some effort on the formulation of these paragraphs, it seems like a waste of time to rewrite them completely by trying to find different words to express the same thing merely for the sake of writing something new. I included it here as I consider it to be a good starting point for this discussion and I would like to enable my readers to find everything that is needed in a single text without having to switch between this and previous, perhaps unavailable writings.

Now, if we are to interpret freedom from the positive standpoint, John *should* be provided with the option to be a painter, and this without having to bear overly negative consequences like poverty, which in this case would come with it, if that truly is what he ultimately desires most. According to the negative conception, however, John's autonomous choice would come along with the risk of poverty, with everybody having a free, voluntary choice - for example his friends and relatives or organizations that support artists - to support his activities, but not a *duty* regardless of their own agreement on the matter.

When poverty is not avoided in the first place by giving John subsidies or a replacement income from the very start, the resulting poverty from his choice to be a painter would in the end, like all poverty from a positive liberty point of view, be considered as a *deprivation* (Wanderly, 2004:3). The negative outcome of his choice - poverty - effectively puts him in a situation where he is to be helped in order to have all (or "enough", by whatever measure) options open to him.

If we are to follow positive liberty logic through, John's poverty should then in itself be ameliorated through governmental intervention. The subsidies or replacement income would in this case not be provided from the start, but only enter the picture once poverty actually sets in. It is important to note that in this case the events differ only in time, based on whether positive liberty is provided from the start or provided later, by having to make up for the poverty once the effects of John's choice take hold. Other than that, what happens is in effect the same.

But this help does not pop into existence out of thin air. If John is to be provided for, it means that the resources for doing so will have to be provided by somebody else. In practice, the money to do so would be collected from people he might not even know, and who might not even know him either. According to this principle, it is the responsibility of the collective to provide John with the means to live a happy life. But in providing him with his positive liberty to do so, there is a substantial danger that this will be at the unavoidable cost of the negative liberty of a possibly unwilling other person who might not consider himself to be responsible for John's aspirations.<sup>6</sup>

Individuals arrange their own affairs in search for the maximization and possible achievement of their own personal happiness. This means that a crucial feature of humanity as a whole, *the fact that interpersonal differences vary enormously and have incalculable consequences*, is to be fully taken into account by any framework of human interaction from its very conception (Van Ootegem, 2008:24). The freedom of choice however has as a direct consequence also towards the responsibility for the choices that were made (Van Ootegem, 2008:51). It is therefore important to have it stated clearly that the principle of freedom and autonomy is a medal which has two sides: freedom extends the responsibility sphere "so as to grant [individuals] sufficient freedom in their life, [which] imposes some duty of self-reliance", while at the same time "they cannot simply wave their autonomy as they wish" (Fleurbaey, 2005:11-12) when faced with the difficulty of choice and the consequences of their actions.

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<sup>6</sup> Many people would perhaps consider art and similar things as "public goods" that the collective is to pay for, whether the individual feels like it or not. More on this in Chapter 5.



Different people have different aims, hence this must not be lost in the evaluative process when rules and regulations are to be decided upon, as individuals should have the freedom to pursue their respective personal ends (Sen, 2003:7). This means that people should be able to pursue whatever end happens to be most valuable to them. However, many people implicitly - yet crucially - add to this that the freedom to pursue whatever end is wished for *should be provided when it is absent* (see for example (Fleurbaey, 2006:3), (Bonvin, 2002:1) and (Duclos, 2006:6)).

It is at this point that we are directed to the central question of whether the rest of society has any intrinsic duty of guaranteeing and safeguarding the attainment of other people's desired ends. Based on a positive freedom interpretation, that responsibility - willingly or not - does exist, while from a negative freedom approach it does not exist as such per se (yet from the fact that your own negative freedom is not to be harmed it follows that you are not to harm the negative freedom of others, but it is important to note that this is a logical result and not a starting point).

Some (Hartley, 2004:8) hold that in the "European centralized welfare model", not to give any benefits to John - the unsuccessful painter mentioned earlier - would "entail a significant element of coercion" towards John, since "article 15 of the EU's Charter of Fundamental Rights of 2000 confers on EU citizens *the freedom to choose an occupation and the right to engage in work*". Not to give John benefits to freely choose his occupation would essentially be a denial of one of his basic human rights (Hartley, 2004:8). Such an interpretation is certainly in line with the positive conception of freedom.

Opinions vary however on whether Hartley's is the correct interpretation of the nature and the kind of right that is meant by article 15. For when we look at it this way, it is no longer "the liberty of the individual [but] the protected standards of this or that group" (Hayek, 1944:219), and ultimately their supposed *right* to demand from others what they need, which becomes the paramount consideration of public policy. This type of egalitarianism is collectivistic by default, as it looks to the collective to provide for the individual that which he lacks, be it because of his own fault or as caused by external circumstances.

A proposed way of dealing with the problem of "wrong choices leading to problematic outcomes" (like John ending up in poverty because he is a bad painter but chooses to be a professional painter anyway) is to have policy makers select the options which are to be provided (Sen, 2003:8) by taking note of the alternatives available or of the features of the choice process itself (Canoy, 2009:11).

In fact, if options are to be *provided for* there is no way around this. One basic economic reality is that we live in a world of scarce resources. As a result not every single option can be provided, and choices on which options to provide will naturally be restricted and weighed against each other in terms of desirability according to the provider. Those options that are chosen will in other words probably not be selected completely at random but with a certain aim for their outcome in mind.

Perhaps some examples are in order. When not looking at possible outcomes the selection is essentially "blind" and there is no reason to provide one kind of choice over another. Using the available limited resources at random without taking the different alternative outcomes of provided choices into consideration means that the



choices themselves would effectively also be selected at random. Such a situation could potentially result in something as nonsensical as providing every citizen with a cargo ship full of turnips. However, based on an aimed at outcome (for example access to a certain level of education) a non-random choice could be made to use that same money to fund schools instead, supposing that the provider finds the possible alternatives resulting from providing the choice and outcomes to have a higher education more gratifying than the outcomes that could result from providing the choice of having access to a boatload of turnips to use as one pleases.

Likewise, when outcomes are to be taken into consideration in order to determine which choices are to be provided by policy makers, and while avoiding the possibility of wrong choices leading to problematic outcomes as much as possible, individuals could potentially be tested on various skills and characteristics. In doing so, policy makers could decide who is to be granted the option of taking on a particular profession (painter, accountant, scientist,...) and who is not in order to avoid costly and problematic outcomes for both the individual and his supporting community. In doing so they might deny John the provision of the choice to follow his dream of becoming a painter.

Perhaps policy makers for some reason see the opportunity cost of wasted potential as a problematic outcome as well. A particularly gifted individual who might not be interested in a particular career can in that case perhaps be limited to provided choices of which the alternative options all result in an outcome where his unique skills would be put to their supposed best use where they benefit himself and the collective best. Instead of a skilled painter, the State might conclude that John would be more successful as a production manager or an accountant and provide him with the choice - the provided positive liberty - of getting an education to ultimately choose for either of those two approved non-problematic outcomes.

But not a painter like he wanted to.

The options one has available are thereby limited or at least directed towards what is considered to be most beneficial by the provider, as it is the provider who decides which positive liberties to provide and - equally importantly - which not. In a democracy this leaves a disagreeing minority with some potentially fearful prospects.

That this type of planned outcome selection ignores the notion that all outcomes cannot simply be foreseen in advance is one thing (Bonvin, 2002:1). More importantly however, the reason for a certain alternative to be selected is hereby transfused from "the freedom to act" - which is then no longer essential - to "the possible outcomes" of any action which that option opens up and which the provider somehow deems to be desirable. It is in other words not the *freedom* but the *outcome* which in doing so becomes the main concern (Cieters, Schietse, 2009:9).

Suddenly we are faced with a situation where the individual freedom to make choices becomes in effect to varying degrees taken over by the State. This while the whole point of freedom is that an individual is *free to decide for himself*.<sup>7</sup>

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<sup>7</sup> See also Chapter 2. It is for now also good to note that something fundamental like the right not to be murdered is inherent to a negative freedom approach, but it potentially is not to a positive freedom liberty interpretation if that murder is outweighed by some other positive right.

While some egalitarians "recommend equalizing outcomes for people insofar as those outcomes flow from causes for which the person cannot be held responsible, [they - in theory - approve of] differences in outcome insofar as they flow from causes for which the person should be deemed responsible" (Roemer, 1994:556). However, this gives no answer as to *why* a person should be responsible for equalizing the outcomes of others when and if those others cannot be held responsible for them, so the initial problem of supposedly inborn responsibility towards others remains the same.

Not everybody agrees that we are "our brother's keeper" (Genesis 4:9-16). Yet most egalitarians unilaterally proclaim that "responsibility is not a value that can justify large inequalities, and especially poverty". In other words: if there are inequalities, that in itself is a justification to take from those that are better off - through whatever means necessary as the inequality is not to be tolerated - to give to those that are in a relatively worse off position. To them, then, "leaving individuals in a very bad situation just because they are responsible for it seems to emanate from an archaic morality" (Fleurbaey, 2006:306). Few egalitarians and positive liberty advocates would for example argue that drug abusers should not be helped, or that gamblers and people who took on bad mortgages have absolutely no claims on society whatsoever because in the end they brought their problems on themselves.

If positive liberties are to be provided, there is automatically also a necessity for the funds to do so. If those funds are provided voluntarily then there is no need to start from a positive liberty approach in the first place as they would also be provided under negative freedom conditions. But if those funds are confiscated involuntarily from people who do not want to pay for John's failed career, then their negative liberty is violated in function of John's "positive liberty" to burden others with his problems, even against their will.

While our train of thought started with freedom of choice, a positive liberty approach actually results in exactly the opposite. Whether this is what its proponents intend or not is completely irrelevant as to how it plays out. In practice it means that it is no longer the individual who is allowed to freely make up his own mind; he remains with only the option to take his pick from the *externally allowed* alternatives, where disapproved choices may be consciously discouraged or even punished. The *freedom of choice* is here essentially reduced to its religious sense, where one chooses between either complying with dogma and going to heaven, or disagreeing and going to hell.

Here we begin to touch upon the fact that the potential notion of a positive freedom "to be left alone" cannot coexist with somebody else's positive freedom "to be subsidized with other people's funds". The violation of negative freedom is not a matter of degrees: even when tied to a very long chain, the chain still remains.

If we look at public policy in general with positive liberty as the most pressing concern, at some point we are bound to make the call for negative liberty to be sacrificed if positive liberty is to be provided. This leads us to questioning whether actual freedom of choice is even logically possible from a positive liberty outset, as it effectively tries to attain equality through inequality, paternalism and forced responsibilities where individual negative freedom is merely a second rate concern.

Positive liberty sees every inequality as morally relevant. However, in its quest for equality it ends up corroding the negative freedom of one individual or group to

sustain the positive freedom of another, thereby contradicting itself. Restrictions of negative liberty are by contrast created, not by natural causes or incapacity, but by a person other than the individual himself. It follows that not all restrictions of my possible choices are by default infringements of my negative freedom: it is only the restrictions *imposed by other people* which affect my freedom from the negative liberty point of view. Only these inequalities are relevant: a mere incapacity to attain a goal is in this sense not a shortage of freedom by default. To put it a bit more lyrically: "the free man is the man who is not in irons [...], nor terrorized like a slave by the fear of punishment. It is *not* a lack of freedom not to [be able to] fly like an eagle or swim like a whale" (Berlin, 1969: 122, emphasis added). The crucial difference with positive liberty is in short that one's negative freedom does not lie in the *existence of provisions* (positive) but in the *absence of constraint* (negative). In this regard individuals are responsible only for themselves and have no *intrinsic* obligations or claims towards others (Cieters, Schietse, 2009:8). Obligations outside the self do however exist in a negative liberty environment, *not* as a starting ground like positive liberty would have it, but only as a logical consequence: out of the individual negative freedom not to be constrained by other people automatically follows that one cannot invade the personal spheres of other individuals either.

While "morality is not concerned only with equality" (Sen, 1979:219-220), the interpretation of equality, justice and ultimately *responsibility* makes up any framework's vital building blocks. I would therefore like to introduce two new concepts to open up the discussion of equality from a negative liberty point of view: *natural inequality* and *artificial inequality*.<sup>8</sup>

As "equal inputs do not necessarily give rise to equal outputs" (Hartley, 2004:4), negative liberty does not set standard-egalitarian equality as a goal. It in fact logically dismisses it. "Men are unequal; individuals differ from one another. They differ because their prenatal as well as their postnatal history is never identical" (von Mises, 1962:59). An example will clarify the crux of the matter. Positive rights can, among other things, exist in "the provisions of anti-discrimination laws, which may aim at enabling ethnic minority workers to engage effectively in the labour market" (Browne, 2002:12-13), or conversely perhaps even exclude them as "discrimination against discrimination" can go both ways depending on who feels slighted. But in providing these positive freedoms for the ethnic minority workers, the *natural inequality* as set by the market - where no negative freedoms are being impacted - is attempted to be resolved by restricting the negative freedom of potential employers who from a negative liberty point of view should be allowed to hire who they want on their own terms, with both parties being free to enter into mutual contract or not.

The inequality is in other words *not resolved, but replaced* from a *natural* problem concerning person A to an *artificial inequality* concerning person B, whose negative freedom has now been limited. The only ethical basis given for doing so is the particular legislator's subjective *value judgment* (Fukuda, 2003:4) that A's positive freedom to be employed is more important than B's negative freedom to hire who he wants. Even if the legislator in our example acts on a democratic principle and in accordance with the supposed will of the majority, this does not help B in any way at all when he disagrees with the value judgments that are being made and which *supposedly* justify the external interference with his personal negative freedom. He

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<sup>8</sup> Not be confused with the natural and moral inequality as mentioned by (Rousseau,1754).

may even feel that he is being robbed or punished for his own success in order to pay for the failure or possibly merely the whim and unearned greed of another.

It should be clear that a majority vote does not automatically lead to justice; more often than not one can in fact expect quite the contrary. Especially when dealing with large groups, slave morality and its consequences are never far away. To think otherwise implies the following: say that person C is in the same position as person A. Keep in mind that we have said nothing about whether or not either A or C are perhaps lazy or unfortunate, or whether B is either lucky or hardworking. This is for the application of an example on the basic principles behind democracy completely irrelevant, which in itself should urge us to proceed with caution. Justice in a moral sense does not matter when a democratic vote is held to be absolute and a majority is allowed to *legally* justify anything it wishes. The individual living in a democracy is completely subjugated to the whims of the collective. We continue our example and say that A and C vote (and thereby effectively unilaterally decide) that B has to share his wealth with them, and that above a certain level of income, "*B has enough*" and is forced give the rest to them. To enforce this democratic decision would then supposedly be a justified course of action, simply because it was democratically decided as such and the majority legally created the law to which B has to comply. If B refuses to pay, even actual use of force and imprisonment or confiscation of his goods is then considered to be authorized in order to take from him what the democratic majority has voted as belonging to the collective (i.e. themselves). B's negative liberty was voted out of existence in order to provide A and C with the positive freedom to spend his money, and justice in a *moral* sense never even entered the picture. To extrapolate this hypothetical situation to reality as we know it is only a difference in scale, the principles fundamentally remain the same. As mentioned earlier, a democracy can therefore be just as oppressive as any totalitarian regime whenever it is left free to impose on individual negative freedom. The mere fact that it is a democracy in itself carries no guarantees for moral justice whatsoever.

The crucial difference between the two types of inequality is that A's natural inequality came into existence without intervention, naturally as it were and for all intents and purposes effectively "beyond good and evil" (Nietzsche, 1886). Just like nature itself, the market is in its truest sense *naturally amoral*. If we are then to transform natural inequalities into artificial ones, we are in essence required to have morally justified reasons for doing so, otherwise there is no reason to intervene and no ethical justification in artificially displacing the burden from one individual to another. While this problem only manifests itself when B does not agree to the action being taken, in case he happens to be a minority he simply has nothing to say on the issue when his negative liberty is not upheld as the first and foremost principle of importance within the realm of public policy and human interaction as a whole.

In light of this, we can now proceed to evaluate the rapid and "accelerating transformation of *old-fashioned egalitarianism* - which wanted to make every individual equal - into *group-egalitarianism* on behalf of groups that are officially designated as 'oppressed'. In employment, positions and status generally, oppressed groups are supposed to be guaranteed their quota share of the well-paid or prestigious positions (yet no one seems to be agitating for quota representation in the ranks of ditch-diggers). Spokesmen for group quotas in behalf of the 'oppressed' (labelled for public relations purposes with the positive-sounding phrase 'affirmative action' and 'positive discrimination') generally claim that a quota system is the

furthest thing from their minds: that all they want is positive action to increase representation of the favoured groups. They are either being flagrantly disingenuous or else fail to understand elementary arithmetic. If Oppressed Group X is to have its 'representation' increased from, say, 8 to 20 percent, then *some* other group or combination of groups is going to have their total representation reduced by 12 percent. The hidden, or sometimes not-so-hidden, agenda, of course, is that the quota declines are supposed to occur in the ranks of designated Oppressor Groups, who presumably deserve their fate" (Rothbard, 1970). But as with any meddling in natural optimums, all that such enforced "positive" discrimination amounts to is a new problem.<sup>9</sup>

There are in short some inherent dangers if we decide to walk the path towards this kind of freedom. Even in our most basic example, it becomes clear how rapidly positive freedom of one person can conflict with the negative freedom of another who is to directly or indirectly provide that positive freedom for his colleague. We might do well by keeping in mind the words of Eastman when he wrote in 1940 that "the generation to which we belong is now learning from experience what happens when men retreat from freedom to a coercive organization of their affairs. Though they promise themselves a more abundant life, they must in practice renounce it; as the organized direction increases, the variety of ends must give way to uniformity" (Eastman, 1940:82). In choosing for positive liberty in the hopes of chasing down Utopia through the fulfilment of their individually provided wishes, they unwittingly at the same time also necessarily chose for a violation of their own negative freedom, forcing themselves into mutual and collective slavery.

We should have no illusions of hoping for "the possibility of a democratic solution of problems which require more agreement among people than can be reasonably expected" (Hayek, 1944:118-122), which a positive freedom oriented public policy implicitly requires. To provide positive liberties in bulk, one person will at some point be *coerced* to pay for another whatever is required, willing or not. As a result, the concept of positive liberty can - and often has - lead to a limitation of people's negative liberties "for their own" or for "the greater" good. Examples of abuses and atrocities resulting from these aims are rampant throughout modern history and have been at the basis of almost every violent revolution and reign of oppression, exactly because, due to human diversity, the required agreement simply cannot be obtained.

Democratic selection (Deneulin, 2002:503) brings us no solace for this problem. Perhaps Hayek put it most eloquently when he stated that "it is not the source but the limitation of power which keeps it from being arbitrary. [...] Democratic control *may* prevent governmental power from becoming so, but it does not do so by its mere existence" (Hayek, 1944:74). A democracy in this regard can in other words be just as oppressive as any totalitarian regime whenever it is left free to constrain individual

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<sup>9</sup> Take for example the positive discrimination of women when hiring new police officers by applying lower physical standards to them as compared to their male counterparts in order to pass the necessary tests. To compensate for physical weakness, "women may resort to other means of controlling criminals, in particular by using guns. Guns are a 'great equalizer', but they do not completely offset strength differences. Being less able to rely on physical strength to defend themselves from an attack, female officers have less time to decide whether to shoot a threatening suspect. This explains the sharp increase in accidental police shootings that typically follow the lowering of strength standards and the hiring of more female officers" (Lott, 2000:257). More on State intervention in Chapters 5 and 6.



negative freedom. Whether this happens consciously or not is open to debate, but the road to hell has more often than not been paved with good intentions. This does not need to surprise, as abuse of power is never far away when those in power believe that they hold the philosophical key to a better future: this sublime end is often used to justify drastic and brutal means in the collective minds of politicians and citizens alike (Hoffer, 1951:126). Indeed, history itself has shown us that extreme caution is warranted when one hears talk of this "greater good" and all that comes with it.

The central question then becomes the matter of how we can protect ourselves and our fellow men from external coercion which would force our lives into a mould which we may or may not agree with. Coincidentally, it is exactly this which lies at the basis of freedom of choice: the *freedom* to construct one's life as one sees fit (Gasper, 2007:356). "This can be secured by [...] abstract rules that preclude arbitrary or discriminatory coercion by or of other people, that prevent any from invading the free sphere of any other. In short, common concrete ends are replaced by common abstract rules", a system in which a government, if needed at all, "is needed only to enforce these abstract rules, and thereby to protect the individual against coercion or invasion of his free sphere by others" (Hayek, 1988:63).

What is ultimately essential is that people are free to lead the kind of lives they want to lead, do what they want to do and be the person they want to be (Robeyns, 2003:7). "Making one's own choices is an essential procedure in learning how to create one's life. Human life is not simply a series of disconnected acts, because we possess memory, foresight, reason, and many other qualities. One may engage in several series of decisions that build up skills, training, knowledge, wealth, personal relationships, health, family, character, reputation, spirituality, etc. One may engage in acts that provide entertainment, joy, pleasure, satisfaction. One may develop creativity, imagination, kindness, or many other traits. All of this is involved in saying that a person can only flourish by making his own choices" (Rozeff, 2005).

For these reasons and others which will be elaborated upon throughout this thesis, I hold *negative freedom* as the central concern, and positive freedoms - if one insists on thinking in such terms - to be validated *only* when and if individual negative freedoms are not involuntarily obstructed; i.e. only if they are provided *voluntarily*.

Having drawn the demarcation lines between positive and negative liberty; where does the justification for negative liberty in itself come from? This is the subject matter of the following Chapter.

## 2. Self-Ownership

The starting point lies in the notion that every man is "a self-owner, having absolute jurisdiction over his own body. In effect, this means that no one else may justly invade, or aggress against, another's person" (Rothbard, 1982:60).

This central theme of self-ownership<sup>10</sup> has been voiced by many authors, but generally its official origin is traced back to Locke's saying that every person "has a right to decide what would become of himself and what he would do, and as having a right to reap the benefits of what he did", or more concisely: "every man has a Property in his own Person" (Locke, 1690:Ch. 5).

To many individuals this axiom may seem obvious and in need of little explanation; few would argue that their body and mind are not their own, but this in itself does not prove anything per se. Even from personal experience I know that there are in fact people who oppose the principle of self-ownership, so I believe it best to not just let ourselves be satisfied with a priori statements but instead explain the reasoning behind the concept in full.

In this regard there are three possible conditions of ownership of the self (Rothbard, 1998:45):

1. each person owns a part of everybody else (collectivism)
2. some (groups of) people own (groups of) others completely
3. each person owns himself (individualism)

It could be argued that there is a fourth condition, in which nobody is owned by anybody, including themselves. However, as we will see below, this condition leads to one of the three above.

Number one is the collectivistic approach. Much can be said about it - and I will do so over the course of this thesis - but for now it suffices to state that even with all moral and economic objections aside<sup>11</sup> and without mentioning any obvious technical difficulties, even on a merely practical level this is an unfeasible proposition. People simply are unable to constantly monitor every other of several billion living human beings, and if consent has to be found for every action any other human being wishes to undertake - as owners have to consent with what their property is used for, even if and when they are not the sole owners - the world would grind to a standstill.

Perhaps the most telling analogy to be drawn when talking about the consensual governing of human behaviour is found in the parliament of the Polish-Lithuanian Commonwealth of the mid-seventeenth to late eighteenth century, where the problem of constant monitoring was not an obstacle. During that period in time, the Polish-Lithuanian parliament abided by the so-called "liberum veto" principle<sup>12</sup>, which consisted of the legal right of "*each* member of the [parliament] to defeat by his vote alone *any* measure under consideration" (Encyclopedia Britannica, emphasis added). What it meant in a practical sense was that anybody had veto rights over any and all

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<sup>10</sup> To "own" something means "to have, possess and control as property".

<sup>11</sup> See below.

<sup>12</sup> Latin for "I freely forbid".



matters to be decided upon. As a logical result all votes had to be unanimous, as would be required for every human action in case everybody is the partial owner of everybody else.

As most modern observers would expect, the amount of veto's rapidly started to increase<sup>13</sup> up until the moment that the whole system became deadlocked in a stasis of mutual frustration and was finally abolished by the constitution of 1791, at which point the damage had been done and the nation was already reduced to a shadow of its former self (Rohac, 1998).

Naturally then, as the first option renders itself irrelevant it can only deteriorate into the second alternative, where some people are owned by others who claim ownership of their subjects, perhaps through brute force if needed. However, just like a company might have property rights over a building, it is the owner of the company who decides what to do with that building as control ultimately rests with him and his will to use it one way or another. Property rights need to end up at a particular person who owns them in order to be relevant. If the company has no owner then the company cannot exercise any property rights itself. If Vera does not control herself and is not herself controlled by somebody else, she cannot be the proprietor of Marc. As a result, if Vera owns Marc, she *de facto* also has to be owned by somebody else - just like a company - or she has to "own herself" in order to exercise her ownership and control of Marc according to her personal will. In any case the chain of control necessarily ends up in the hands of a person who owns himself as well as his subjects. In this situation there would then be people who somehow do *not* own themselves on the one hand, and people who *do* own themselves on the other.

But as such, self-ownership is established through the existence of the owning group or person: one has to own the authority over oneself in order to be able to own and wield one's authority over somebody else. Through the existence of Vera (or her owner in turn), the initial basic question of whether or not self-ownership exists consequently is transmuted into the paradoxical situation wherein *ceteris paribus* one human being supposedly has a natural right to self-ownership while somehow the same does not apply to another for no apparent reason.

Adding to this, it can be argued that even "if I obey another, I must always make the decision to do as he wishes; and the threat of violence on his part should I follow my own course leaves the situation unchanged. I must *decide* whether to accede to the threat" (Gordon, 2009, emphasis added). Purely on an ethical level there are from this point of view consequently no grounds to be found for a sort of a priori moral caste system that differentiates between self-owners and non-self-owners; as even when one obeys, one does so only while passing through the mental consent of the obeying individual (even if compelled to act this way or another under coercion). The self-ownership of the person under threat is implicit through the process.

From this it also follows that it is not only *morally* but also *practically* impossible for one individual to *own* another, as one's *internal* will cannot be transferred. This might seem poor consolation for the forcefully enslaved, but this does not need to diminish the implications: consolation as such need not be a necessity for validity.

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<sup>13</sup> Sometimes fueled by the bribery of State officials by opposing foreign nations of the time like Russia and Prussia, who in their own interests wanted to destabilize the Polish-Lithuanian Commonwealth.

The *external manifestation* of the will - which is a different thing altogether - can of course be manipulated through voluntary agreement (whereby the will of both individuals and its external manifestation is in fact aligned towards the same intent) or through use of force (whereby the will of the oppressed remains unchanged even though its external manifestation is altered), but in each case the will itself does not change hands but remains the property of each individual person.

This leaves us only with option three - each person owning himself - as a relevant route to explore. It is from this notion of self-ownership that we also automatically arrive at the non-aggression principle: if we accept that each person owns himself then it is morally unjust to use coercion against said individual<sup>14</sup>; in a moral sense it is only the individual who is allowed to decide what to do with his personal property (in this case himself).

But perhaps some still remain unconvinced that every person owns himself. They might argue that there is actually a seemingly overlooked fourth option where a person is not owned by anybody at all, not even by himself.

Say we do not agree on the principle of self-ownership. Who then has the right, for example, to decide what should happen to one's own eyes? It is the owner who decides to what use his property will be put and it is the owner who, through his ownership, has the right to exclude others from doing so. If we do not own our eyes then how can we prevent anybody (or for the sake of the discussion a hypothetical non-human entity) from putting a claim on them and thereby acquiring ownership over them, like plucking an apple from a tree of a newly discovered island? And in another sense, how could we legitimately decide to have them treated and modified through laser surgery or justify our own exclusive use of them either way?

Let us follow this through. "Were eye transplants easy to achieve, would it then be acceptable to conscript potential eye donors into a lottery whose losers must yield an eye to beneficiaries who would otherwise not be one-eyed but blind?" (Cohen, 1995:70).<sup>15</sup>

I cannot be certain, but I expect that few people would be in support of this scheme. Perhaps they will declare to those who feel that they have a right to one of their eyes that only they themselves are to decide what happens to them, thereby claiming the property and excludability thereof. It seems plausible that people feel that the naturally felt right to their own body - their *self-ownership* - outweighs the socialist

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<sup>14</sup> Which says or implies nothing about it being impossible to do so anyway.

<sup>15</sup> Interestingly, this example in support of self-ownership was actually provided by Gerald Allan Cohen, a Marxist political philosopher (see for example (Cohen, 2001)). He himself was convinced of the notion of self-ownership - as his example and his further analysis of it also shows. He even accepted that self-ownership necessarily negates socialism (more on the relation between self-ownership and the negation of socialism later on in my thesis). However, for a Marxist, this conclusion seems rather implausible, so I expect my readers to be as surprised as I was when I first read what Cohen had to say about this. Upon further inspection it became clear that his defense of socialism actually has nothing to do with self-ownership as such. He does not seek to deny or argue against it, but simply overrules his own conclusions on the matter by the utilitarian practice of merely claiming that it is "*unfair* that some individuals are in a position where they have better chances at being better off than others" (Gordon, 1998, emphasis added) (through genetics, luck, etcetera). Further discussion of Cohen's views is outside of the scope and relevance of my thesis, but for those interested I suggest reading (Gordon, 1998) for a clear rebuttal of Cohen's statements in this regard.

and utilitarian principles of redistribution: "you are entitled to keep your eyes even if the fact that you have two working eyes is a matter of genetic luck and even if a blind person 'needs' an eye more than you do (you could still see with one eye but he cannot see at all)" (Gordon, 1998). What this example ultimately says is that if you do not have ownership over your own body, somebody or a hypothetical something else is de facto free to claim it, or you can at the very least not object to anybody enforcing ownership over it through coercion as your property is not being violated by doing so.

While this might seem to be a ludicrous as well as impossible situation, the mechanics at work behind the scenes are not: it brings home the concept of self-ownership through the naturally felt right to bodily integrity. The rest is only a matter of degrees with the same underlying principle.

But there is another way to approach the question of self-ownership in case one still remains unconvinced. Hans-Hermann Hoppe, an economist of the libertarian tradition (Hoppe, 2001), points out that by arguing against self-ownership, one is caught in what is known as a *performative contradiction*<sup>16</sup>: "argumentation is a form of action requiring the employment of scarce means; and furthermore that the means, then, which a person demonstrates as preferring by engaging in propositional exchanges, are those of private property. For one thing, obviously, no one could possibly propose anything, and no one could become convinced of any proposition by argumentative means, if a person's right to make exclusive use of his physical body were not already presupposed" (Hoppe, 1993:205).

While not as elaborate as what has been discussed up to now, I believe that there is truth to be found in Hoppe's brevity. He points out that by the act of arguing against the concept of self-ownership, one is actually proving its existence. When trying to persuade somebody that self-ownership is fictitious, the self-ownership of the person to be persuaded is "implicitly recognized" (Terrell, 1999). Through the employment of persuasion and argumentation the other party is de facto considered to be free to accept the validity of the argument or not: without self-ownership the attempt at persuasion would otherwise be irrelevant. Thus, anyone who denies that self-ownership exists is formulating the best proof to the contrary; "by his very engaging in cooperative and conflict-free activity of argumentation, he necessarily recognizes the right of his listener to be free to listen, think, and decide. That is, any participant in discourse presupposes the non-aggression axiom" (Kinsella, 1996:315). From self-ownership of the will also follows self-ownership of the body, as one's will was the first to put one's body to use and thereby claim it.<sup>17</sup>

Anchored on the non-aggression principle and the notion that individuals are self-owners, they cannot be supposed to simply disregard their preferences in order to adjust to some government's discriminatory practice. Expecting this mistakenly downplays morality as well as the importance of freedom of choice as one of the most significant dimensions of personal well-being (Duclos, 2006:30) (Collard, 2006:351).

Limiting people to an externally decided "good life" is consequently dubious at best.

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<sup>16</sup> For example, in "performing" the act of speaking, one contradicts himself when saying "I am not talking"; the claim is contradicted by the act of making it.

<sup>17</sup> The link between mental and physical self-ownership is essentially an inherent result of the homesteading principle discussed in the next Chapter.

### 3. Property & Homesteading

Along with and resulting from self-ownership there is another central concept which lies at the core of all capitalistic ideologies.<sup>18</sup> *Private property* in its capitalistic sense<sup>19</sup> means that somebody is the *owner* of a certain thing. Such *ownership* need not - and often does not - coincide with or relate to *legal* ownership.

Having such ownership means that the owner is morally legitimized in full control of the use of his property (which includes the right to exclude others from using it), has the right to any benefit from the property (he owns the fruits of the tree which is his, the minerals mined from his land, the rent gained from his house,...) and the right to transfer, sell or even destroy the property as he sees fit.<sup>20</sup>

The German sociologist Franz Oppenheimer observed that there are essentially two mutually exclusive ways to acquire property: through work or through robbery. The first he called the "economic means" (production and exchange), the second he defined as the "political means" (seizure of another person's goods or services through force or violence) (Oppenheimer, 1926:24). Based on self-ownership and the inherent non-aggression principle, it need not surprise that in libertarian philosophy only the so-called economic means of acquisition are deemed to be just.<sup>21</sup>

The kind of property which concerns us here is the relationship between human beings and material things, based on self-ownership and arising from *homesteading* (the *first* acquisition of a previously unowned material thing)<sup>22</sup> or through voluntary exchange (the transmission of ownership from owner A to owner B of something that has been homesteaded by A or acquired in a similar previous (sequence of) exchange(s) which had A as the recipient of ownership).

The homestead principle is a formulation of how an unowned resource becomes property. It was Locke who took the first steps in formulating the concept as such when he said that because one owns himself, "the labour of his body and the work of his hands" consequently also belong to the self-owner. It follows that in the case of the first human being who started exploring the world when no homesteading had yet been done, "whatsoever, then, he remove[d] out of the state that nature hath provided and left it in" and was in other words as of yet unowned, "he hath mixed his labour with it, [...] and thereby [made] it his property" (Locke, 1690:Ch. 5,27).

It is important to note that it is a useful but potentially misleading metaphor to speak of "owning" one's labour. "The right to use or profit from one's labour is only a *consequence* of being in control of one's body" (Kinsella, 2001:31). As you control your body you are free to undertake a certain action or not, *the decision to do so* is yours to make (perhaps because somebody offers you something which you want in exchange for you performing the labour). But it is irrelevant to speak of owning the actual *action* as such (Rothbard, 1998:Ch. 15): the point is the fact that through self-ownership you have control over "doing something" (i.e. "labour") or not.

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<sup>18</sup> Capitalism is a system in which goods and factors of production are privately owned and traded. See for example (Butters, 2007:5)

<sup>19</sup> As opposed to its current legal connotations or as it is understood in collectivist systems

<sup>20</sup> Automatically, this prohibits external interference in the enjoyment of one's property.

<sup>21</sup> More on the political means in Chapter 5.

<sup>22</sup> Which in other words had not already been homesteaded before.

Locke elaborated with an example by remarking that "he that is nourished by [...] the apples he gathered from the trees in the woods has certainly appropriated them to himself. Nobody can deny [that] the nourishment is *his*. I ask, then, when did they begin to be his? When he digested? Or when he ate? Or when he boiled? Or when he brought them home? Or when he picked them up? [...] It is plain, if the first gathering [i.e. *first occupation*] made them not his, nothing else could". Ergo his effort involved in being the first to gather them from their unowned state has "put a distinction between them and [the] common [...], they became his private right. And will any one say he had no right to those acorns or apples he thus appropriated because he had not the consent of all mankind to make them his? Was it a robbery thus to assume to himself what [supposedly] belonged to all in common?" (Locke, 1690:Ch. 5,28, emphasis added).

Or more precisely: belonged to nobody at all. The phrasing used here by Locke can be confusing if one does not think it through, therefore some caution is warranted. Owning something in common does not mean the same as owning equal shares with voting rights of a company where a certain percentage would have to agree to a course of action along the stipulations of the company's charter. Instead, it was to signify that initially, before any homesteading had been done, everything was open to homesteading by anybody who happened to do it. If all people own a bank deposit in common, all have access to it and any one of them is free to spend and consume it as he pleases, and this necessarily without one common owner being able to object to its use by any other common owner as long as it is in common ownership. One cannot justly exclude an owner from doing with his property - that which he owns - as he pleases. Each common owner is in other words free to separately act as if he were the single owner. Even if that would mean eating the "commonly owned" apple and putting it in his individual stomach like our hungry protagonist did, or likewise withdrawing (part of) the deposit from the common account and putting it in a new private one to which others have no access.

Essentially then, when a material thing is commonly owned *by all*, it is for all intents and purposes "unowned" as it is freely consumable or withdrawable from the supposed "common" (i.e. de facto non-existent as far as private appropriation is concerned) ownership. It is in this sense that Locke continued by stating that "it is the taking any part of what is common," i.e. freely accessible by all and as of yet unowned and not yet homesteaded by somebody else, "and removing it out of the state nature leaves it in, which begins the property" (Locke, 1690:Ch. 5,28, emphasis added).

It is important to note that the rightful acquisition of previously unowned material things through homesteading does not depend on the express consent of others. The apples I have gathered or "the ore I have digged in any place, [...] becomes my property without the assignation or consent of anybody. The labour that was mine, removing them out of that *common* state they were in, hath fixed *my* property in them" (Locke, 1690:Ch. 5,28, emphasis added).

For clarity's sake I remind my reader that the above obviously requires that the person doing the homesteading had not "sold his labour" in question to somebody else when doing so. Supposing that he did trade his labour to somebody else, the result of that labour would not be his but belong to the person for whom he agreed to perform the required task - that is the trade they made in one hiring the other. If A hires B to gather previously unowned apples from a previously unowned patch of



forest, then those apples by B's gathering become not B's property but A's due to the fact that B sold his performance of the task - and consequently its results - to A.<sup>23</sup> In similar fashion, If A hires B to use A's resources and convert them into a new material thing, then it is not B who owns the product by the mere fact of B being the one who did that part of the work: since it is A who owned the resources and it is B who sold his time and effort to A in its making, A is the just owner of the end result. This has confused entire generations of Marxists, but common sense can go a long way. Along the same lines, only that which was up to then previously unowned can be homesteaded. If C gathers and eats apples from trees in D's garden without D's permission, C did not homestead those apples but stole them from D as they came from D's property which D either homesteaded himself or acquired through exchange.

Of course, the entire premise in the case of appropriation through being the first to put something into use is that the material thing being homesteaded was initially unowned, since only unowned things can be justly appropriated without exchange.<sup>24</sup>

Homesteading theory in other words says that the first ownership in history came about with the first homesteading, *before that moment everything was unowned*.<sup>25</sup>

However, let us suppose for a minute - as this is commonly claimed by avid collectivists who attack the unequal distribution of property which the mechanics of homesteading can bring along - that the above was not the case. Instead, some assert the claim that at the beginning of history everyone started off with "rights to an equal *share* of the earth's surface and resources"<sup>26</sup>, just like that and thereby de facto without any homesteading of unowned objects ever being involved.

But ownership of something does not just appear out of thin air, so where would this initial equal a priori endowment of shares come from without homesteading?

This is never explained with any sense of logic or consistency. At best the argument used in defence of this supposed initial equal distribution is that it seems "more fair" to the collectivist making this claim than the possible unequal distribution resulting from homesteading.<sup>27</sup> But merely claiming that something is "(un)fair" without supporting it with a plausible explanation - aside from arbitrary irrational personal preferences - proves nothing. Much like how in Western law a person is considered innocent until proven guilty, the *burden of proof* for the existence of such an a priori equal distribution of shares ex nihilo lies with the people who claim it and thereby make an ontologically positive claim, not with the people who make the ontologically negative claim that there is no reason to suppose its a priori existence without such evidence. At the time of writing I have no knowledge of such evidence and therefore

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<sup>23</sup> In doing so we could also conclude that this allowed A to homestead that patch of forest, through B.

<sup>24</sup> As there is de facto no paradoxical "owner of unowned property" to exchange it with. If there is an owner already one cannot *justly* appropriate what is owned without exchange - that would be robbery.

<sup>25</sup> Note that some claim that "property is theft" (Proudhon, 1840:Ch.1). However, if one does not agree with the existence of property then he has no business criticizing others for theft of it in the first place. The concept of "theft" necessarily presupposes property. Proudhon and his following thereby simply shoot themselves in the foot when they exclaim such things.

<sup>26</sup> See for example (Cohen, 1995)

<sup>27</sup> For a more in-depth discussion of the call for "equality", see Chapter 4.

no reason to presuppose such claims throughout the arguments presented in this thesis.

But even if, *purely for the sake of argument*, we were to grant this magical ex nihilo existence of a priori equal shares any relevancy anyway, the implications concerning unequally distributed property (as would result from the concept of homesteading which was for this reason being challenged) would not be any different. Since people with those proposed initial equal endowments would still be self-owners, "they would be free to carry on whatever capitalist acts between consenting adults they wished to undertake" (Gordon, 1998). Consequently, the hypothetical initially equal shares could after some time likewise end up in any proportion that happened to come from those exchanges. The only difference ultimately being that - instead of passing through homesteading - the first ownership would somehow be freely granted by a mysterious initial equal distribution, the existence of which is as we saw in itself doubtful at best.

Peering through the collectivistic mysticism then, the assumption that material things were unowned before the arrival of the first person to homestead them as opposed to their ownership "somehow" being granted at birth can hardly be called implausible.<sup>28</sup> There is no earthly reason to assume that people begin with property rights of the kind which Cohen and others of his persuasion suggest, aside from their personal and ultimately whimsical preferences.<sup>29</sup>

There are in short two fundamental principles upon which the libertarian theory of just property through homesteading rests: the first is self-ownership<sup>30</sup> and the second is the absolute property right over previously unowned scarce material natural resources of which one is *first* to occupy them and bring them into use (Rothbard, 1982:145). Material things, once they have been homesteaded, can *by definition* not be homesteaded again by somebody else. After the first homesteading, the *just* ownership can only be voluntarily exchanged. Also note that there is no requirement of said property being in *continual* use; if something is mine I am free to decide whether or not to use it, for whatever amount of time and for whatever reason.

The qualification of property being "just" is important.<sup>31</sup> Suppose, for example, that A steals B's watch and that several months later B apprehends A and grabs the watch back. B would in this case be perfectly legitimized in doing so. If A should prosecute B for theft of "his" watch, it would be an overriding defence on B's part that the watch was not really and justly A's because he had previously stolen it from B (Rothbard, 1982:60).<sup>32</sup>

However, when looking at the world we live in today it would be impossible to trace all ownership or exchange of property back to its original homesteader and those he or she exchanged that property with. Even if we could, it is entirely possible that - *somewhere* in the chain of ownership - material things changed hands not by

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<sup>28</sup> See *burden of proof* above.

<sup>29</sup> A possible purely theological debate about this matter is beyond the scope and relevance of my thesis. For now I will therefore not elaborate on that part of the discussion any further.

<sup>30</sup> See Chapter 2.

<sup>31</sup> Unless stated otherwise, when talking about "property" and "ownership" throughout the rest of my thesis I will mean "just property" and "just ownership" in the libertarian sense.

<sup>32</sup> "Unjust property" (acquired by political means) will be discussed in following Chapters.



economic but by political means (Rowley et al., 1988:384). Rectifying every single one of these "unjust" ownership titles would at first glance therefore necessarily result in chaos. But in fact the problem solves itself: the burden of proof lies with the person who disputes the title, not with the person who is currently holding it.<sup>33</sup> "If the objector cannot make good his claim, the present possessor owns his land legitimately. Absent a clear proof by the objector that land has been forcibly wrested from him or his ancestors, the current possessor's claim holds good" (Gordon, 2009).

The fact that homesteading and just exchange brings along full property rights over material things - and the notion that homesteading is what grants property in the first place - has some interesting implications, not in the least towards what we have come to know today as "intellectual property" (IP). "Intellectual property rights are rights in ideal objects, which are distinguished from the material substrata in which they are instantiated" (Palmer, 1990:818).<sup>34</sup> In effect, what IP legislation does - be it through patents, copyrights, trademarks or other means - is that it creates *legal monopolies* over "creations of the mind" (schematics, music, texts,...) by prohibiting anybody but the *legal* "owner" of the IP to make use of that which is protected by IP licenses.

IP legislation is often defended through the use of utilitarian arguments, stating that creating monopolies through IP creates an incentive for people to develop new inventions, which would otherwise be missing or insufficient (Lemley, 2005:1).<sup>35</sup> While capitalism can easily be defended on utilitarian grounds (Rothbard, 1962) (Hoppe, 1989:Ch.7), its own foundations as such are not concerned with utilitarian dogma in any way whatsoever: individual negative liberty is the main concern - that utilitarian benefits follow from this is a welcome bonus, but nothing more (Hazlitt, 1964) (Marks, 2007). Even if "higher utility" (which is in itself a very vague and extremely subjective concept) was somehow proven to be achievable through some sort of invasion of private property, this would not thereby be justifiable on libertarian grounds.<sup>36</sup> Likewise, even *if* it were indisputably so that by implementing IP legislation the amount and rate of innovation is increased - which to be clear, it is *not* (Cole, 2001)<sup>37</sup> - this would not mean that these IP laws are thereby *justified*.

As we set out to take a closer look at IP legislation and its (in)compatibility with the homestead principle in order to determine whether or not intellectual property can be called "just" property, we are in fact encouraged to examine the reasons behind homesteading itself. In doing so, IP legislation illustrates why mankind should or would even bother with formulating moral laws of property and ownership in the first place, and especially how easily they are misunderstood.<sup>38</sup>

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<sup>33</sup> This principle also exists in common legislature and can be traced back through the Code Napoléon to Roman Law (Dhondt, 2003). Many modern systems of law still apply it to this day. For example: in Belgian law, article 2279 BW says that possession amounts to title - the person who in good faith controls a good is deemed to be its legitimate owner until proven otherwise. Special thanks to my friend Kim Oosterlinck for her eager help with the research for this footnote.

<sup>34</sup> For an extensive overview of what kinds of intellectual property statutes exist, see for example (Raysman et al., 1999) and the website of the World Intellectual Property Organization (WIPO), which is a specialized agency of the United Nations: <http://www.wipo.int/portal/index.html>.en

<sup>35</sup> Which is basically a differently stated "free rider" argument. More on this in Chapter 5.

<sup>36</sup> See the following Chapters.

<sup>37</sup> See (Boldrin et al., 2005). Also think about things like open source software, wikipedia, etcetera. Absence of enforced IP legislation and freedom of information (see the internet) would quite possibly only speed innovation up. Also see the case of the fashion industry in (Blakely, 2010).

<sup>38</sup> Which is relevant to keep in mind as we discuss the basis of democracy in Chapters 4 and 5.

The first documented instances of what could be called a form of IP legislation can be found as early as Ancient Greece, where around 500 BC there were culinary competitions which provided the winner with the exclusive right of being the single authorized producer of that specific dish for the following year. Sporadic issuing of legal monopolies by monarchs or other political leaders and its symbiotic relation to abuse and corruption can be found throughout the centuries that followed<sup>39</sup>, while the first systematical granting of patents vaguely resembling the mechanics still used today originated in 15th century Venice (Frumkin, 1945:143) and have stayed active within most legislative systems in one form or another ever since. It is however safe to say that, before the establishment of the "Designs Registry" in the United Kingdom of 1839 (later transformed into the "Patent Office" in 1876), intellectual property with any kind of enforcement of its artificial monopolies was de facto virtually nonexistent.

One cannot help but anxiously wonder if that means that before the mid 19th century there was actually a constant and gross violation of (intellectual) property rights being perpetrated; right from when Homo habilis first reared his head around 2.4 million years ago up until the moment that - after mankind had helplessly suffered from millennia of abuse and infringements against IP - governments heroically stepped in to save the day by finally granting IP owners their well-deserved legal monopolies. Perhaps all of us are at this very moment violating the IP rights of a hapless Homo erectus who was the first to invent artificial sheltering (i.e. a hut, a tent or a house) around 500,000 years ago (BBC News, 2000). Did he not homestead his *idea* by rightfully being the first to put it into use, much like we would homestead a coconut or a banana from a fruitful tree on an island we ourselves just discovered?

Most of us make daily use in one way or another of an ingenious circular device which rotates on an axis and can be used for such a wide-ranging array of applications as the performance of labour in various machines (grinding, cutting, polishing,...) up to and including the facilitation of movement and transport. Yet chances are that - like myself - none of my readers pays what he in the logic of IP legislation is supposedly due to the inventor/IP owner (or any of his remaining descendents to which his property might have been justly transferred) of this incredibly valuable and truly revolutionary invention: the wheel. Neither have car manufacturers, toy companies or gyroscope users ever since.

When pondering the implications of IP, how could we be allowed to freely boil an egg without reimbursing the person who first came up with the recipe and technique to do so? And what if he never wanted anybody to copy his recipe in the first place - possible reimbursement or not - in order to fully profit from his monopoly himself without licensing it to others? When we were kids and we made crude bows out of twigs and twine, were we not in fact violating the rights of some anonymous bushman by copying a design which was rightfully his and only his, like we are not (legally) allowed to copy the design of, for example, vacuum cleaners today (Uhlig, 2000)?

And why should we not have to pay the ingenious IP owner who first mixed milk with honey like we pay a pharmaceutical company that comes up with a new kind of cough syrup if we were to brew it ourselves? If we tie a knot in a rope to rig a sail, how is this

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<sup>39</sup> For example, England's "Statute of Monopolies" of 1623 was an attempt to mitigate the corruption in the issuing of patents (monopolies) by King James I of England between 1614 and 1621 (Levy, 1911:17).

at its core not a comparable use of IP like we would use a patented technique in biotechnology or a complicated process for chemical compound analysis today?

And what about words, sentences, texts, entire languages, DNA sequences from plants or animals<sup>40</sup> and certain colours? Does the architect who designed a house for somebody else own it as well to a degree if he owns its design? Or the inventor of the tools that were used in building this house? Perhaps Microsoft then is in on it too if the employees of the construction company were running Windows on their accounting computers. What about the individual who was the first to ever draw a straight line like the architect did on the plans? Did the second caveman who sharpened a stone violate the rights of the first? What about somebody who owns a knife factory? Is a person A violating the rights of an artist B if he covers one of B's songs?<sup>41</sup> If so, were the rights of the first person C who ever played "do re mi" being violated by B in using that principle to make the song that was covered by A? And did person C in turn violate the rights of a person D who was the first to tap on a tree in a semi-rhythmical pattern and thereby invented music which would in the logic of IP legislation then be his private property in the same manner as the song? Why does IP differentiate between public and private (non)commercial use of a song? If it truly is a matter of a rights violation in any case, then why would there be a difference whether it happens in private or in public and whether there is a profit motive involved?<sup>42</sup> If Martine sees a colour which she likes and uses her own dyes to try and recreate it, whose property is she violating?<sup>43</sup> Is she violating somebody's IP by putting her furniture - or that of a client who hires her as an internal architect - in a certain pattern like she saw in a magazine or on TV like she would be *legally* violating IP if she was to use her own materials to recreate an existing painting? If one can copyright a song or another text and can thereby *rightfully* prohibit all other living beings from using their vocal chords to utter those same words, why would it then not be possible for a government (or a non-official individual who supports it on a

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<sup>40</sup> "In 1988, a Harvard University biologist was granted [the first] patent for a mouse that had been engineered for increased susceptibility to cancer. [...] It established a precedent within patent procedures for patenting genetically modified [organisms]" (CRG, 2002). "Over the past twenty years, many patent applications have been filed that are drawn to subject matter relating to genes. The filing rate of applications relating to genes has dramatically increased in the past few years. Currently, over 20,000 applications relating to genes are pending before the USPTO [alone]. Since the first gene related applications were filed, approximately 6,000 patents have issued which are drawn to full-length genes from human, animal, plant, bacterial and viral sources. Of these 6,000 patents, over 1,000 are specifically drawn to human genes and human gene variations that distinguish individuals. [...] The complexity of some of these [patent requests] is almost unimaginable. For example, we received a DNA sequence listing as part of a patent application that, had it been submitted on paper, would have totalled more than 400,000 pages" (USPTO, 2000:3)

<sup>41</sup> For example, the song "Happy Birthday To You" - which I assume most if not all of my readers are familiar with - despite its age still falls under copyright legislation, and several lawsuits have in fact been initiated by the company currently owning it for both commercial and non-commercial use of the song in public (for example because of its use in restaurants when it is sung whenever a celebrated person is being brought a birthday cake; some restaurants now avoid this by singing the song "For He's A Jolly Good Fellow" instead, which - curiously - does *not* fall under copyright law). For more on the specifics of the song "Happy Birthday To You" in relation to IP, see for example (Brauneis, 2008).

<sup>42</sup> When I violate somebody's scarce material private property by using (stealing) his car against his wish, I am violating his property rights whether or not I do it for commercial or non-commercial use and whether or not I do this privately or publicly. Why should it be any different with IP if - aside from purely legal constructions of artificial monopolies - moral rights are involved like with scarce material property.

<sup>43</sup> Perhaps the most well-known examples of trademarked colours are Red Bull's red and Deutsche Telekom's magenta (Pütz-Poulalion, 2007).

personal level) to copyright a book and sound recording full of slanderous material about that group or government and then prevent anybody who disapproves of that group or government from uttering or printing pamphlets with those words or sentences for full-scale distribution as in the case of a song? If I invent something and build it, using my own material property, and a person in China happened to do the exact same thing at the exact same time using his own material property, did either of us violate the other's IP in using a same pattern which we applied on our own separate property (the scarce materials like metal and plastic that were used and shaped into a similar thing)? Does it depend on which one of us got to a patent office first? But why would it take a patent office to establish a *right* over something?<sup>44</sup> If intellectual property is somehow - just like material property - about morally justified ownership, then why does it expire after a certain period of time?<sup>45</sup> And is not *all of science and modern life in general* essentially based on the fact that we are "standing on the shoulders of giants" (Salisbury, 1159) whose IP we are thereby supposedly violating? Is a modern chemist who claims IP rights over a discovery not violating previous IP rights of the first chemists upon whose previous knowledge he is building (as he claims something which is *by the exact same proposed logic* already another person's IP)? If those original chemists who came up with the basics of the science of chemistry were still alive today, would they be exempt from the IP claims of the modern chemist, if so on what grounds, and how could it then be that the modern chemist could profit from the first chemist's IP by claiming IP over it himself?

Clearly, something very strange is going on here.

Let us first take a moment to consider the following: "if there were only one man on earth, the idea of property would never occur to him. Since he would be free to dispose as he wished of all the utilities about him and would never be confronted with others' rights limiting his own, how could it enter his mind to say: '*this is mine*'? These words presuppose the correlative: *this is not mine*, or *this belongs to another*. *Mine* and *thine* are inseparable; and the words 'property' or 'ownership' necessarily imply a relationship, since they indicate with equal clarity both that a thing is *owned* by one person, and that it is *not owned* by another" (Bastiat, 1850A:Ch.8,87). In other words, the need for and *relevancy* of clear demarcations of ownership stems from the existence of more than one human being, the *economic reality of material scarcity* and the fact that because of this - as the saying goes - you cannot have your cake and eat it too.<sup>46</sup> Only because of the existence of scarcity "is there even a problem of formulating moral laws [concerning property]; insofar as goods are superabundant ('free' goods), no conflict over the use of goods is possible and no action-coordination is needed. Hence, it follows that any ethic, correctly conceived, must be formulated as a theory of property, i.e., a theory of the assignment of rights of exclusive control over scarce means. [...] only then does it become possible to avoid otherwise inescapable and irresolvable conflict" (Hoppe, 1989:235).

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<sup>44</sup> "Life, liberty, and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty and property existed beforehand that caused men to make laws in the first place" (Bastiat, 1850B:L5-6).

<sup>45</sup> More on IP and its expiration later in this Chapter.

<sup>46</sup> "Scarcity" is the fundamental problem of unlimited human needs and wants in a world of factually limited resources. All material things are subjected to scarcity: food, (luxury) cars, books, minerals, land, trees, and so on ad infinitum. Their consumption or putting into use by one person excludes the concurrent consumption by another. On the other hand, supposing for a moment that we were some kind of deity and could simply wish anything into existence, scarcity to us would de facto be non-existent and irrelevant. This is important to remember for what follows below.



Let us follow all of this through. Imagine that a young entrepreneur named Frederick has traded with several people and through his trading ended up with a certain amount of good X (which could be gold, balloons, clothes,...), a box of nails and some nice oak wood out of which a skilful carpenter with the right tools could make a magnificent table. Frederick is not a skilled artisan himself, but he asks around and comes into contact with Timothy the carpenter who says that he can help Frederick with making the table. Timothy is the proud owner of the tools of his trade (different saws and hammers, measuring devices,...); some of which he made himself out of resources he owned and some of which he got through exchange with other people.

Both men come to an agreement where in exchange for a specified amount of Frederick's good X, Timothy will use his tools and expertise to make Frederick a table out of the latter's oak wood and nails. Both men are true to their word and do as they voluntarily agreed. This leaves Frederick with a superb piece of furniture to use or sell as he sees fit and carpenter Timothy free to fully enjoy his newly acquired amount of good X. Who is the owner of the table? Quite clearly, Frederick is. Yet he was not the one who did the actual manual labour involved in shaping the wood and nails into the end product; Timothy did. So how come Timothy did not homestead the table, as he was the one who we could suppose "mixed his labour" with it?

Keeping in mind everything we have up to now discussed in this Chapter combined with the above example, we here touch on an important and - though logically implied - frequently misunderstood point: "the focus on *creation* distracts from the crucial role of first occupation as a property rule for addressing the fundamental fact of scarcity. *First occupation*, not creation or labour, is both necessary and *sufficient* for the homesteading of unowned scarce resources" (Kinsella, 2001:27, emphasis added).<sup>47</sup> Frederick already owned the nails and the oak wood and exchanged good X with Timothy to come to "own" the result of Timothy's time and effort involved in shaping the nails and the wood into a table. He consequently does not have to rely on the fact of *creation* to own the table, but only on his ownership of the factors used in making it.<sup>48</sup> "One reason for the undue stress placed on creation as the source of property rights may be the focus by some on labour as the means to homestead *unowned* resources" (Kinsella, 2001:27, emphasis added). However, "*first occupancy*, not labour" in terms of necessarily backbreaking or skilled work - as it is frequently misunderstood<sup>49</sup> - "is the act by which external things become property" (Palmer, 1990:838, emphasis added).

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<sup>47</sup> To be able to own an apple one does not have to be the one responsible for the creation of its subatomic particles; one needs to be the first to occupy it and thereby remove it from its state of nature (the possibility of which is automatically excluded by somebody else owning the tree it fell from).

<sup>48</sup> Just like the labour involved in stealing Fredericks's resources would not make them yours simply because your labour was involved in doing so. Creating a table out of them would not change the situation either: the resources and whatever you formed them into are still the just property of the person you stole them from. The only thing you perhaps acquired through this kind of labour is the obligation to reimburse the damages you caused to the persons whose rights you violated by stealing his property.

<sup>49</sup> A caveman has to spend little to no effort or skill - labour - on being the first occupier of a cave. But through his first occupation he becomes its owner; if somebody were to arrive a week later and would forcibly try to remove him and his family from his cave, the new arrival would be violating the property rights of the first. Obviously, one could argue that "occupation" is a form of labour, and there is nothing wrong with thinking of it as such, as long as it is thereby clear that "labour" does not always have to involve sweat, exhaustion or a hammer.

From the above we conclude a few important things. First, the concept of property is de facto only relevant in terms of *scarce* goods: as a result only scarce goods can be *owned* and therefore be somebody's private property. Exactly like it is irrelevant to speak of "*owning* a certain amount of *nothing*" ("*nothing*" is non-scarce, you can have as much of it as you like without having to summon matter into existence or take it away from somebody else), to speak of *owning* a non-scarce object is irrelevant as well: if A has a non-scarce object and B wants to have the same non-scarce object, then - by its being non-scarce - its supply is by definition *infinitely able* to meet any level of demand and *ownership* of it has no meaning.<sup>50</sup> Furthermore, where initial property is concerned, "under the libertarian approach, when there is a scarce (ownable) resource, we identify its owner by determining who its first occupier is. In the case of 'created' goods (i.e., sculptures, farms, etc.), it can sometimes be assumed that the creator is also the first occupier by virtue of the gathering of raw materials and the very act of creation (imposing a pattern on the matter, fashioning it into an artefact, and the like). But [as we have seen with the table,] it is not creation per se that gives rise to ownership" (Kinsella, 2001:27). Indeed, "by focusing on creation and labour rather than on first occupancy of scarce resources as the touchstone of property rights, IP advocates are led to place undue stress on the importance of 'rewarding' the labour of the creator, much as Adam Smith's flawed labour theory of value<sup>51</sup> led to Marx's even more deeply-flawed communist views on exploitation"<sup>52</sup> (Kinsella, 2001:30).<sup>53</sup>

Via this short detour we now come back to IP legislation. Imagine Walter who - in order to put his recent acquisition of construction materials and his homesteading of a patch of land on a newly discovered island to good use - designed, built and owns a certain building. All onlookers agree that it can be called a work of art in its own right. As owner of the building, Walter is morally legitimized in preventing others from accessing it, he is free to rent out his property or not and can unilaterally grant or deny its occupancy to anybody he wishes. Essentially, *intellectual* property means that one can supposedly own thoughts and ideas in similar fashion. According to IP proponents, just like Walter owns the *material* building, it is possible for him to also own its *non-material* design: the idea behind it. In order for such *ideal* objects (the mental aspect of inventions or information of any kind) to be a possible subject of homesteading (and thus appropriation and ownership) in the same manner as *material* objects are, they need to be open to the same two *coexisting* conditions. He who wants to claim his ownership needs to be the *first occupier* of the object (or latest recipient of its just exchange), and the object itself - as we saw earlier - needs to be *scarce*.<sup>54</sup> We also saw that the creation and ownership of something *might* coincide, but both can occur completely separate from one another.

So are *ideal* objects ownable like *material* objects are if we test them on all the necessary and implicit conditions that need to be fulfilled in order to acquire just

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<sup>50</sup> See also note 46.

<sup>51</sup> Smith held that the amount of labor put into producing a good determines its value (Smith, 1767:Ch.6).

<sup>52</sup> In Marxian ideology, "exploitation" refers to the alleged subjection of producers (the proletariat) to work for passive owners (the bourgeoisie) for less compensation than is equivalent to the actual amount of work that was done (Marx, 1844:Ch.1).

<sup>53</sup> For more information about the labour theory of value, see (Whitaker, 1904). For an explanation of the capitalist theory of value, see Chapter 5.

<sup>54</sup> Since otherwise the concept of ownership is simply irrelevant.

ownership of an object? Clearly, Walter has full and just ownership of the material object which is his building. Through his personal effort and exchanges he owned all the factors of which the building is the combination. He himself homesteaded the land on which it was built and through exchange he became the owner of all the other resources that went into its construction and were at some point homesteaded and exchanged by somebody else. The material building is a scarce resource: many people have a want or a need for it, but as Walter and his family fully occupy it, it is *impossible* for others to do the same.<sup>55</sup> It is in short his private property.

Now, what about the *ideal* side of his building? Its design was invented - we might say *created* - through Walter's thought process. Had Walter not invented it, it is unclear when and whether the design had ever been created in similar form. But creation and ownership do not always coincide, so we need to look yet further. Since Walter came up with the design, it is unique in the sense that nobody had thought of it before and he was the first to construct a building according to it, he definitely is what we could easily call "the first occupier of the idea".

So what about scarcity? Walter himself obviously wanted his invention. What is more, we hypothesized that numerous people were enthralled by the superb design of his building and could imagine wanting to live in one just like it. Its desirability and the possible existence of a human want or need for it is therefore a matter of fact. But does Walter's "consumption" of this ideal object - the design - mean that it excludes its consumption or use by others like with scarce material objects?

It is clear that there are different principles at work here. It is impossible for Conrad to eat the same candy bar (material object) that Walter ate, but - *legal* restrictions aside - it is entirely possible for Conrad to use the same design (ideal object) as Walter did for performing a certain action or behaviour (which might include Conrad using his own (homesteaded or exchanged) resources to construct a similar building or candy bar for himself). One person using the design does not lead to the exclusion of the other or a material property rights violation in any possible way whatsoever. While *the effort an sich* in relation to the creation of an invention can be hard to come by (experts get hired and thereby exchange their effort and expertise for things they want because of this; for example in the case of various types of consultants, physicians, lawyers,...), *the ideal object itself* is obviously not scarce at all. Unlike scarce material objects like a specific apple or a specific building, the reproduction of ideal objects does not require the materialization of matter ex nihilo. Instead, ideal objects can be copied infinitely - and this without hindering anybody in their full use. As a result, property rights concerning material objects (scarce) on the one hand and ideal objects (not scarce) on the other are inherently and fundamentally different.

But does this need to be a problem for the existence of morally justified intellectual property as opposed to being merely an arbitrary and unjustified legal construction?

A second fundamental problem is that when property rights are recognized in ideal objects, this by default means that self-ownership is compromised<sup>56</sup> and property rights in *inherently scarce* material resources are inescapably, involuntarily and

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<sup>55</sup> Exactly like the eating of an apple makes it impossible for a different person to eat that particular apple as well.

<sup>56</sup> For example when one is not allowed to sing a copyrighted song. But it is from self-ownership that property stems; to negate self-ownership is to negate property. Also see note 41.



unilaterally diminished. Let us consider the following example which supposes the existence IP rights (aside from purely legislative constructions). Say that an active and hard-working individual named Steven was able to rightfully homestead a piece of land with rich mineral deposits. He sets out to mine said minerals and through trades here and there he ends up with the tools, machines and resources to potentially pour all kinds of metal in whatever shape or form he desires. Since he is the owner of the minerals which he mined from his homesteaded property, he is thereby entitled to use them in whatever way he sees fit. He is free to stack the minerals into piles, juggle with them, perhaps sit on them as he thinks about what he will do with them or melt and thereby transform them into whatever shape or form he wants. As they are his private property, he is the one who freely decides what to do with them and does not need any permission but his own to be allowed to do so.<sup>57</sup>

Meanwhile (in some other distant part of the universe) a person named Peter invents a tool and goes to a government agency that lets him patent the pattern and idea of a steel object with a handle and a sharp edge - a knife - which thereby becomes his legal IP.<sup>58</sup> What this effectively means is that all of a sudden Steven supposedly can no longer freely do what he wants with his private property: he can no longer shape it into the form of a knife. If Peter's IP was indeed a relevant concept, he would thereby in other words become "a partial owner of the tangible property [...] of others, not due to first occupation and use of that property (for it is already owned), but due to his coming up with an idea," unilaterally (Kinsella, 2001:32).

As we can see, this situation is incompatible with the homesteading principle that grants ownership to the first occupier of a scarce resource after which only *voluntary* trade can grant property rights over this already owned privately property. "For me to have an effective patent right - a right in an idea or pattern, not in a scarce resource - means that I have some control over everyone else's scarce resources (Kinsella, 2001:31). By his patenting of an idea, Peter would unilaterally claim a degree of control over Steven's private property, with or without Steven's voluntary agreement. We can only observe that the arbitrary notion of intellectual property, even when it is enforced through *legal* constructions, is in fact a violation of morally consistent capitalistic property rights and is thereby ultimately in direct contradiction to self-ownership, its implications and the very basis of libertarian morality.

Instead, "IP rights imply a new rule for acquiring rights in scarce resources, which undercuts the libertarian homesteading principle," which unequivocally states that "it is the first occupier of a previously unowned scarce resource who homesteads it, i.e., becomes its owner". Since the first occupier is the owner of the material object unless he voluntarily exchanged it with somebody else, a de facto non-first "latecomer who *seizes* control of all or part of such owned property," through force or fraud as opposed to mutually consensual voluntary exchange, "is simply a thief, because the property is already owned. The thief effectively proposes a new and *arbitrary* homesteading rule to replace the first-occupier rule, namely [...] 'I become the owner of property when I forcibly take it from you'. Of course, such a rule is no rule at all".

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<sup>57</sup> The one and only restriction is that he himself as a logical deduction cannot violate the private property rights of other people: he would then also contradict his own ownership of private property.

<sup>58</sup> Whether or not Peter himself - after or before patenting his invention - actually made this tool with some material resources to see if his invention works is essentially irrelevant as the focal point is the ideal object. It is also of no consequence whether or not Peter simply "got lucky" or worked exceptionally hard on figuring out the design of a knife.

Because of an individual person's self-ownership and the resulting principle of homesteading, the thief's rule is unjust along the lines of libertarian morality. Proponents of IP rights must therefore "propose some homesteading rule along the following lines: 'a person who comes up with some useful or creative idea which can guide or direct an actor in the use of his own tangible property thereby instantly gains a right to control all other tangible property in the world, with respect to that property's similar use'. This new-fangled homesteading technique is so powerful that it gives the creator rights in third parties' already owned tangible property" (Kinsella, 2001:31-32, emphasis added). But the mere proposal of a different or expanded homesteading theory does not make it just.

If we are to summarize all of the above, we see that patterns and information as such are ideal objects and cannot be owned due to the logical implications of the reasons stated. What is more, IP legislation "*creates scarcity* where none existed before" (Kinsella, 2001:23)<sup>59</sup> through purely legal constructions that - as opposed to private property of scarce materials which has always been with mankind, with or without legal systems - only were being considered like they are today from the 15th century.

The complete arbitrariness of IP legislation when it is compared to that of the ownership of material objects also sheds some additional light on how artificial IP legislation really is. Ownership of your house or other scarce objects in principle never goes away due to sequential heritage or if you yourself were to live forever. By contrast, legal IP in the US for example<sup>60</sup> - as dictated by its very constitution itself - simply "expires" after a "limited period of time". The United States Constitution, Article I, section 8, clause 8 says that "the Congress shall have power [...] *to promote the progress* of science and useful arts, by securing *for limited times* to authors and inventors the exclusive right" (CULS, 1787, emphasis added) to ideal objects. From its very wording it is clear that the underlying "*ownership*" of IP - *which is not even mentioned* - was not considered to be the moral basis for modern IP legislation, but faulty utilitarian reasoning<sup>61</sup> which was supposed to incentivize more people into inventing new things. This "limited period of time" has throughout various new IP legislations for copyrights went up from until 20 years after the death of the original copyright owner in the US Copyright Act of 1976 to 70 years by the time of the Copyright Term Extension Act of 1998. And this, through these laws, purely on a legislative basis: any kind of overarching principle resembling actual "moral ownership" which could be claimed to account for these differences in periods of expiring ownership is de facto lacking: if intellectual property were the same as regular property - which by contrast does *not* have to base itself on subjective utilitarian principles - there would be no logical reason whatsoever to have it expire after an inconsistent amount of time.

But as we saw earlier, any moral principle of "ownership" never had anything to do with IP legislation at its conception or in its current continuation. IP is based on ultimately arbitrary and mistaken utilitarian principles which have as only basis for their supposed justification the valuations of the heavily lobbied bureaucrats who

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<sup>59</sup> More on the de facto negative off-optimum effects of State intervention in the market in Chapter 5.

<sup>60</sup> The US policy of IP legislation has in recent times - even though differences of course exist - been the principle guide of that of other political bodies like the UN WIPO agency and the Council of the European Union, and can consequently for all intents and purposes within the scope of this thesis be extrapolated to them. See for example (COEC, 1993).

<sup>61</sup> See note 35 and a more in-depth discussion in (Cole, 2001). Also see Chapter 5.

provide the legislation. It has for example been observed that through this constant lengthening of expiration dates by the issuing of new IP laws, old copyrights like Walt Disney's copyright of Mickey Mouse are being kept alive by consecutive prolongments of copyright terms through lobbying, while they should have expired decades ago under their initial copyright legislation.<sup>62</sup>

To be clear, it is also - especially perhaps when talking about ideal objects - important to realize that although *possession* and *ownership* of something often coincides, these two concepts are not interdependent. The fact that A owns item X does not mean that A currently possesses it (A lent his privately *owned* X to a friend B who now currently has it in his *possession*) and the mere fact that B possesses something does not mean that B thereby owns it (B currently *possesses* X which A lent him, but A is its *owner*). Since A is the *owner*, A can rightfully demand B to give X back since B merely *possesses* X. However, a different person C *who is neither the owner or the possessor* cannot demand from B that he hands over X which B possesses but does not own. In other words: when we forget about A for a moment and consider an interaction between only the two other individuals B (who *possesses* X even though he does not *own* it) and C (who does not *own* or *possess* X), then C cannot demand B to hand over X from B's possession into C's possession simply based on the fact that B does not own X: this is because *C does not own X either*. Consequently, B has no obligations towards C as C has no claim on that which is not his property and C cannot force B who is a self-owner into doing something he does not want without a rightful claim which B would be violating if he were not to give in to it.

This then also follows: if A invents something and can keep it secret, or A can get others to *voluntarily* agree not to disclose it once they know it (for example because A agrees with them in a contract that they can use the secret information but cannot disclose it), then there is no problem between the involved parties in terms of determining the absence or presence of possible rights violations. But *only then* are the parties bound by it: A cannot unilaterally impose restrictions on somebody's use of their private property while they did not enter into contract with him in which they agreed to those restrictions. Only when somebody voluntarily agrees to a restriction (aside from the inherent consequences of self-ownership and the non-aggression principle) is it justifiable, due to private property resulting from self-ownership.

Say that A has developed a formula X which explains how to make truly delicious cookies. A clearly *possesses* the formula, but according to capitalist theory, since it is a pattern, an ideal object, A does not *own* X. B wants to have this formula (perhaps because B simply likes to eat those cookies and wants to make them with his own resources without having to buy them from A, or because B - thinking he can do it better - wants to produce and sell them using his own resources). Even though A does not *own* X itself, since he is a self-owner he is in no way required to explain to B how it works or provide B with the tools or information to either find out himself or make it easier for him to do so in whatever shape or form. A is after all in charge of his own actions and B cannot justifiably force self-owner A to explain anything to B against A's wishes. Clearly, the fact that A does not actually *own* X as such does not mean

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<sup>62</sup> In fact, the Copyright Term Extension Act of 1998 has often been called the "Mickey Mouse Protection Act" as it was the result of extensive lobbying of the US Congress by - among others - the Walt Disney Corporation, which provided the involved politicians with "donations of campaign cash [totalling] more than \$6.3 million in 1997-98" alone (Sprigman, 2002). Also see for example (Menn, 2008), (Bucknell, 2008) and for full effect note 39 of this paper for comparison.

that he is somehow deprived of the admiration for formulating it and baking delicious cookies, it also does not prevent him from selling such cookies, nor does it in any way whatsoever translate into B having a claim on A to give him X to which B has no ownership claims which would - if they existed - override A's possession upon demanding a return of property.

Similarly, B who does not own X either cannot claim any actual material cookies from A - which *are A's owned* private property - which A made according to the formula X in his *possession* which he nonetheless - as it is an ideal object, a pattern - does not *own*. B can of course ask A whether he is willing to give B the information, even though A - *because of his self-ownership* - is not involuntarily required to give in to the demand merely because B asks it of him.<sup>63</sup> As a result of B's request for information, several things could happen. Perhaps A freely explains X to B. Perhaps A - for *whatever* reason which need only be relevant to A - does not want to spend any time and effort to explain it, which is his full right as a self-owner. But it is also entirely possible that A offers to give X to B under contract of B paying A for its use and agreement not to disclose the information to anybody else. It is then not A's transfer of *ownership* of X that B in that case paid for, *but the service of A's voluntary disclosure* of what was in A's *unowned possession*. In this case, if information is leaked to a person C by B, then B can be liable for breach of contract - if of course the contract was agreed upon as such - and thereby violating A's property rights (which are the stipulations and promises of the voluntary contract, not any ownership rights over X itself).

If however a person C discovers the secret on his own - perhaps by observing that there are suspicious amounts of trucks labelled "chocolate" going into the cookie factory - and was under no contract with A and did not violate any private property (for example by breaking into A's desk drawer which contained a piece of paper with the formula X written on it), then - unhindered by any agreed upon or causal prohibitions - C is free to use his own private property to make cookies along pattern X himself: C thereby does not violate any private property rights in merely exercising his own, as pattern X is "unowned" which within this situation *ceteris paribus* leaves no rights to be violated through its parallel use.<sup>64</sup> Likewise, if on his part A were to try and prevent C from working out X by sending trucks labelled "acid" into his cookie factory every now and then, he would not be violating any of C's rights either.

Further exploration of the disputed justification of IP can be found in the references.<sup>65</sup> In terms of its relevancy for this thesis however, I hope that it has served its purpose in both demonstrating the fundamentals of libertarian ideology and giving readers a first glimpse of the vast differences between capitalism and corporatism (a direct result of collectivism) which we will come to examine further in following Chapters.

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<sup>63</sup> Just like A cannot be forced against his will to mow B's lawn just because B asks him to do so.

<sup>64</sup> "Unowned" in the sense that - through its being an ideal pattern - ownership of X is irrelevant. Obviously though it is important to keep in mind that when we talk about ideal objects being "unowned" this is merely a metaphor: it is not the same as the unowned state of scarce material objects which have not yet been homesteaded but to which the concept ownership *is* applicable. In case this causes some confusion please revisit page 27 and following while keeping this in mind.

<sup>65</sup> Also see (Kinsella, 2010) for an overview of infamous IP lawsuits.

## 4. On Morality

Hitherto we have discussed the general reasoning behind the basic principles of libertarian morality (self-ownership, homesteading - i.e. negative liberty). To me it now seems prudent that before we examine their translation of theory into practice in the coming Chapters, we first take a moment to explore the fundamental justification of those very concepts in my own specific interpretation as well. As far as the philosophical side of this thesis is concerned, this is where we leave the worn and beaten track and will try to go a bit further: upon reaching the sea, one is enticed to wonder what lies beneath it. In order to do so I decided to predominantly make use of the work of Friedrich Wilhelm Nietzsche.<sup>66</sup> In part because I find his writings to be as interesting as they are enjoyable, and because I found a lot of truth to be hidden within the invigorated style and metaphors. I personally am of the opinion that economics, politics, philosophy, history and psychology ultimately are different manifestations of the same thing, and that anybody wishing to make sense of either of them must also have a basic understanding of the others or risk missing the added depth of the whole. That in spite of generally being labelled as a philosopher, Nietzsche also leaves behind something of interest for any student of other social sciences is evident not only through the texts themselves, but also by both Carl Jung's fascination with his theories (Jarrett, 1997) and the claim by Sigmund Freud that Friedrich Nietzsche possessed "a more penetrating knowledge of himself than any man who ever lived or was likely to live" (Jones, 1981:344). I have no doubt that this Chapter will not go down well with every person reading it, but *that* - as I hope my readers too will understand by the end of it - is *exactly* the point that is being made.

All different systems of morality - be they religious, economic or political (and which more often than not intermingle) - have at their core the antonymous concepts of "good" and "evil". But rarely does one seem to stop and wonder where these concepts come from: who or what decides what is good, who or what decides what is evil, and by what knowledge or what right? How does humanity establish the neutral point from which all deviation is a movement in the continuum of those two outcomes? All too often these questions are resigned to the background, but anybody wishing to explain his or her own version of a philosophical right and wrong (as compared to good and evil) needs to have the courage and integrity to not only sketch the foundation of a theory, but also the very soil these fundamentals themselves have been grounded in. I will however avoid building this Tower of Babel<sup>67</sup> on sand and mud: instead of separately handling each and every reason and interpretation of morality that humanity has ever dreamed up - a Herculean task, for sure - it will for the purpose of my thesis suffice to bypass these Augean stables<sup>68</sup> by directly presenting the view which I deem to be correct.

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<sup>66</sup> As mentioned in the introduction, like with other authors I do not intend to claim or arouse the impression that my interpretation and use of Nietzsche's philosophy is one he himself would necessarily agree with in full. In using concepts and metaphors of him or other authors during the course of this thesis I only mean to get my own ideas across. In case one wishes to learn more about the author's own interpretation I urge my readers to take a look at the mentioned references.

<sup>67</sup> "Then they said, 'Come, let us build ourselves a city, and a tower with its top in the heavens, and let us make a name for ourselves'" (Genesis 11:4). But because it was being built for the glory of the builders instead of the glory of God, God effectively destroyed their endeavour and punished them in the process by making them unable to communicate with each other any longer.

<sup>68</sup> As the fifth of his twelve labours, Hercules had to clean the stables of King Augeas in a single day. These stables held thousands of animals and had not been cleaned in 30 years, filling even the surrounding land with manure. The task of cleaning them was said to be impossible. But using both



In thinking about morality, on its own terms - in the form of honesty - it compels us to deny morality itself as it is generally understood (Nietzsche, 1968:s404). In the absence of a deity who personally comes to make his verifiable claim, "there are no moral *facts*" (Nietzsche, 1888:66, emphasis added). And even if we were to say that there did appear some deity today or tomorrow: then what of it?

To speak of *facts* in any regard means to speak of an absence of openness to interpretation and of a definite and identifiable - *factual* - demarcation of right and wrong. If one is multiplied by two, the mathematical result is two. Two is right, any other answer is wrong: this is a verifiable fact. But the only *fact* that one can posit about morality is that there is little else that humanity disagrees on as much as its definition of good and evil. Do we cut off the thief's hand<sup>69</sup> or is he a victim to be helped? Is it an unjustifiable murder of an innocent woman or a necessary honour killing? Terrorist or freedom fighter? Taxation or theft? Whether it was Holocaust or Endlösung depended on who you asked, and what is abhorred as genital mutilation by one person is believed to be the most elementary ritual of entry into womanhood by another (World Health Organization, 2008). *All* differing views claim their preferred judgments as constituting what is *good* with equal vim and vigour. But mere "belief [...] does not turn an *idée fixe* into a true idea, faith moves no mountains but *places* mountains where there are none: a fleeting visit to a madhouse will provide ample enlightenment on these things" (Nietzsche, 1888:52). Of what use or relevance is Kant's categorical imperative<sup>70</sup> and its supposed *universal* validity - good and evil as *fact for all* - in either one of these cases?

Of course, this does not imply that merely because opinions on a subject differ that the subject is therefore non-existent or factually unsound in regard to any and all claims of the involved parties. Claiming that multiplying one by two equals fifteen does not change anything about the verifiability of this claim, its being wrong and the being right of the answer "two". The problem in other words in the case of morality does not lie with the fact that there are millions of diverging claims being made as to where the tipping point between good and evil is situated. It would not change anything about the answer of the mathematical question asked earlier, no matter how much opinion on it differed. Instead, the problem lies with the reasons commonly given for this positioning of the tipping point between good and evil in one particular place or another, along with the very definition and degrees of the scales themselves.

Throughout most - perhaps *all* - of human history, religion and thereby God or gods of various forms and denominations were what gave and give humanity its soil to place the foundations of good and evil on. To the majority of humanity,<sup>71</sup> God's word

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strength and intelligence, Hercules diverted two nearby rivers, thereby washing the stables clean. (Leadbetter, 1999)

<sup>69</sup> As prescribed by Islamic law, see (Surah Al-Ma'idah, 38) of the Qur'an.

<sup>70</sup> First formulation: "Act only according to that maxim whereby you can at the same time will that it should become a universal law" (Kant, 1785:30). Second formulation: "Act in such a way that you treat humanity, whether in your own person or in the person of any other, always at the same time as an end and never merely as a means to an end" (Kant, 1785:36). Third and final formulation: "Every rational being must so act as if he were through his maxim always a legislating member in the universal kingdom of ends" (Kant, 1785:43).

<sup>71</sup> Approximately 70% of the world population is affiliated with either Christianity, Islam, Buddhism or Hinduism. Total numbers of *all* religious adherents are of course higher (Hunter, 2007).

is law: whether it is the Ten Commandments<sup>72</sup> or the twelve rules of the Moral Code of The Builder of Communism<sup>73</sup> which everybody is required to follow is essentially superfluous.<sup>74</sup> As such, morality "is merely an interpretation of certain phenomena [...]. Moral judgments, like religious ones, belong to a stage of ignorance in which the very concept of the real, and the distinction between what is real and imaginary, are still lacking. [...] Moral judgments are therefore never to be taken literally: so understood, they are always merely absurd. [Symbolically], however, they remain invaluable: they reveal, at least for those who can interpret them, the most valuable realities of cultures and psychologies that did not know how to 'understand' themselves. Morality is merely sign-language" (Nietzsche, 1888:66). But whether it is the Divine or legal law which is to decide upon good and evil in effect makes no difference as far as its justification is concerned: both are inherently arbitrary and cannot justify their *universal* aspirations. This does not mean that they are thereby de facto dismissible, but it *does* mean that *ceteris paribus* neither moral code in such discussions can claim moral or factual superiority in a universal or absolute sense over the other. "Hypocrisy, double standards, and 'but nots' are the price of universalist pretensions" (Huntington, 1996:184).

At this point I wish to be clear: I have no qualms about admitting that when I posit my own values I *appear* to be doing the same as others do in positing theirs. One might wonder then how and why I propose to promote my own sense of right and wrong in light of this. Why do I promote individualism over collectivism and why would my opinion be more right than that of my antagonists? The fact that these very words are here to be read must mean that I have reasons to believe in the superiority of my own right and wrong - perhaps, we may say, my own good and evil - as opposed to that which is commonly held by so many others who vehemently disagree. Where does one then acquire the confidence to proclaim that "all is not theirs it seems: one fatal tree there stands of knowledge called, forbidden them to taste: knowledge forbidden? Suspicious, reasonless. Can it be sin to know, can it be death? And do they only stand by ignorance, is that their happy state, the proof of their obedience and their faith? O fair foundation laid whereon to build their ruin! Hence I will excite their minds with more desire to know, and to reject envious commands, invented with design to keep them low whom knowledge might exalt equal with gods; aspiring to be such, they taste and die: what likelier can ensue?" (Milton, 1667:120).

If there is no deity or other person which can without invocation of blind faith in paradoxes due to absence of both reason and consistency set a universal good or evil -

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<sup>72</sup> These can be found in the Torah, Bible and Qur'an. Some of these commandments: "You shall have no other gods before me. [...] You shall not bow down to them [idols] or worship them; for I the Lord your God am a jealous God, punishing children for the iniquity of parents, to the third and fourth generation of those who reject me. You shall not make wrongful use of the name of the Lord your God, for the Lord will not acquit anyone who misuses his name [...]. The seventh day is a Sabbath to the Lord your God; you shall not do any work - you, or your son or your daughter, or your male or female slave, or your ox or your donkey, or any of your livestock, or the resident alien in your towns, so that your male and female slave may rest as well as you" (Deuteronomy 5:6-21), etcetera.

<sup>73</sup> Some of these commandments: "Devotion to the cause of Communism, love of the socialist Motherland and of the socialist countries. [...] Concern on the part of everyone for the preservation and growth of public property. High sense of public duty; intolerance of actions harmful to the public interest. Collectivism and comradesly mutual assistance: one for all and all for one. [...] Intolerance towards the enemies of communism" (translated from the original) (Rockwell, 2006:13).

<sup>74</sup> For an interesting look at the apparent need which humanity seems to have for commandments to live by, which is out of the scope and relevance of my thesis, I do heartily recommend (Freud, 1913) and (Freud, 1927) for further reading.



"spiritual" wishful thinking at best - we then have only one place to look for right and wrong. The only place a rational mind *can* look for universal rules or values: the *amoral* reality of nature itself.

There is no good or evil in physics, chemistry or biology any more than there is in the mathematics of the multiplication of two times one. But likewise there *is* a right and a wrong, and it is nature - only nature - which unilaterally, unconsciously, amorally - *naturally* - and through the economics of its variables, establishes it. Indeed, "nature is always rational. Every answer you pry from [it] is severely logical. When the wind turns into a tornado it does so not by irrational madness but by a mathematically precise process. It seems paradoxical that that which has no mind should be unfailingly rational," but denying this is to deny reality itself: "irrationality has its source in the mind; [...] it is a reaction against intellect" (Hoffer, 1973:s14).

According to Nietzsche, "every specific body strives to become master over all space and to extend its force (its *will to power*) and to thrust back all that resists its extension.<sup>75</sup> But it continually encounters similar efforts on the part of other bodies and ends by coming to an arrangement ('union') with those of them that are sufficiently related to it: thus they then conspire together for power, and the process goes on" (Nietzsche, 1968:s636). In this regard he viewed nature and life itself as "a mere instinct for growth, for survival, for the accumulation of forces, for power: whenever the will to power fails, there is disaster. My contention is that all the highest values of humanity have been emptied of this will - that the values of decadence, of nihilism, now prevail under the holiest names" (Nietzsche, 1888:129). The amorality of nature - which differs from immorality (Nietzsche, 1968:s52) - at its core necessarily signifies the absence of purpose, meaning and morality as it is commonly understood.<sup>76</sup> This absence of *universal* value due to the absence of an answer by an external *supernatural* authority to the question "for what purpose?" is what Nietzsche defined as nihilism (Nietzsche, 1968:s585). Nihilism in other words fundamentally predates and now coincides with what is perhaps his most well-known expression: "Gott ist tot" (God is dead) (Nietzsche, 1882:s108) (Nietzsche, 1885:41). The death of God - by which Nietzsche did not mean to imply that there ever actually was one in the first place - is the metaphor of human rationality dismantling the concept of deity and thereby also religious morality and its sense of good and evil.

Nihilism can be dealt with in two different ways with two opposite results: active nihilism (the creation of own values through the will to power (Nietzsche, 1968:s593) resulting in *master morality*) and passive nihilism (the loss of dignity (Nietzsche, 1968:s18) resulting in *slave morality* through a frustrated will to power turned on itself and its perceived causes for frustration) (Nietzsche, 1968:s22). Passive nihilism is the reaction to the loss of meaning upon the realization of the absence of a supernatural authority through an ascetic attitude - a so-called "will to nothingness" (Nietzsche, 1968:s55) - whereby this lack of "higher meaning" is unable to be replaced

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<sup>75</sup> It is useful to remember that power in the sense of the concept "will to power" does not necessarily mean power as domination: it can imply a variety of things, like the will to power something like an engine powers a car. It is, as the citation implies, an instinct for growth which Nietzsche supposed to be inherent to all of nature, including humanity. This also does not necessarily mean in a spiritual or even conscious sense: the formation of planets through the attraction of gravity - the "accumulation of forces" whereby more massive objects attract less massive ones - is simply a fact of nature, and it is as such that one has to interpret the concept to understand its use.

<sup>76</sup> For example in their religious sense.

by a meaning of one's own creation (Nietzsche, 1968:s585). It is this need for higher meaning and a general helplessness from an inability to create an individual one that according to Nietzsche gave rise to religion<sup>77</sup> and its denunciation of nature in the first place, which now also breeds more slave morality in its absence but in different forms like socialism and democracy which essentially replaced one slave morality for another.<sup>78</sup> In the passive nihilism of slave morality Nietzsche saw the negation of nature due to a failed and frustrated will to power of those that try to establish it. Conversely, active nihilism is a "wilful destruction of the old [religious] values to wipe the slate clean and lay down one's *own* beliefs and interpretations, contrary to the passive nihilism that resigns itself with the decomposition of the old values" (Leiter, 2007, emphasis added).

It is from the concept of nihilism in its active and passive form that master morality and slave morality respectively were distilled. Instead of defining morality as a universal and unified concept like many before him, Nietzsche instead divided it into two basic types. The master morality type of man, starting from active nihilism, "feels *himself* to be the determiner of values, he does not need to be approved of, he judges 'what harms me is harmful in itself', he knows *himself* to be that which in general first accords honour to things, he *creates* values. Everything he knows to be part of himself, he honours: such a morality is self-glorification. In the foreground stands the feeling of plenitude, [...] belief in oneself, pride in oneself, a fundamental hostility and irony for 'selflessness' belong just as definitely to noble morality as does a mild contempt for and caution against sympathy and the 'warm heart'. [...] It is otherwise with the second type of morality, slave morality.<sup>79</sup> Suppose the abused, oppressed, suffering, unfree, those uncertain of themselves and weary should moralize: what would their moral evaluations have in common? [...] The slave is suspicious of the virtues of the powerful: he is sceptical and mistrustful, keenly mistrustful, of everything 'good' that is honoured among them - he would like to convince himself that happiness itself is not genuine among them. On the other hand, those qualities which serve to make easier the existence of the suffering will be brought into prominence and flooded with light: here it is that pity, the kind and helping hand, the warm heart, patience and humility come into honour - for here these are the most useful qualities and virtually the only means of enduring the burden of existence. Slave morality is essentially the morality of utility. Here is the source of the famous antithesis 'good' and 'evil' [in its religious or slave morality sense] - power and danger were felt to exist in evil, a certain dreadfulness, subtlety and strength which could not admit of contempt. Thus, according to slave morality the 'evil' inspire fear; according to master morality it is precisely the 'good' who inspire fear and want to inspire it, while the 'bad' man is judged contemptible. The antithesis reaches its height when, consistent with slave morality, a breath of disdain finally also comes to be attached to the 'good' of this morality - it may be a slight and benevolent disdain - because within the slaves' way of thinking the good man in any event has to be a harmless man: he is good-natured, easy to deceive, perhaps a bit stupid, un bonhomme" (Nietzsche,

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<sup>77</sup> Since I am personally only familiar with Christianity, I will use it for references. Nietzsche for the most part referred to Judaism and Christianity himself, but any religion can be used analogously.

<sup>78</sup> A further investigation hereof follows later in this Chapter as this is obviously to a large extent what makes it so relevant for this thesis, but the concepts involved need to be explained first for a good understanding.

<sup>79</sup> Slave morality according to Nietzsche has three forces hidden behind it: "(1) the instinct of the herd against the strong and independent; (2) the instinct of the suffering and underprivileged against the fortunate; (3) the instinct of the mediocre against the exceptional" (Nietzsche, 1968:s274).

1886:s260). One can think of many modern expressions related to this. Chances are that at some point in our lives we have heard people say things like "money does not make happy" when the only available information they had about that person was that he or she is rich. Is it not said that an expensive car must mean that its driver is not so well-endowed and is compensating for something else? But - although in this day and in age it often is - it is not always about monetary wealth: when seeing a happy couple it seems that some cannot help themselves from uttering suspicions about it. Likewise, good-looking or intelligent people can be confronted with the same kind of belligerence by those who feel inferior or threatened by them (Dalrymple, 2005:70). In similar vein one can point at the aggrandizing of "gangster" and "ghetto" life in popular culture. All of this behaviour is what Nietzsche defines as slave morality: values here are not created but converted - the sentiment of the master is turned into the *re*-sentiment (resentment) of the slave (Nietzsche, 1888:102): it is a *reaction* against master morality and an attempt at the *replacement* of the natural criteria for good by their inverse.

In short, master morality is what Nietzsche felt to be on par with the principles of nature,<sup>80</sup> while slave morality goes against it and thereby negates nature and life itself. The concept of "God" is a direct result of slave morality: driven by their own will to power which sought to overcome their *natural* inferiority, passive nihilists in their inability to do so - through their frustrated will to power - gave rise to religion through the concept of a *supernatural* authority which was to substitute the natural master morality version of good and evil by its opposite - slave morality. Through this God, paradise was promised to the current inferiors, not in this life of *natural reality* but in a next one of a *supernatural, spiritual* kind where the natural master morality and its active nihilists were to be judged along and punished by the God of anti-natural slave morality standards. The slaves subjugated themselves at no cost - this was an inferior position which they already held anyway - to a *supernatural* authority in their own image (Genesis 1:26) and of their own conception. In doing so they effectively "turned water into wine" (John 2:1-11): through this *supernatural* authority they fed their humiliated will to power and proclaimed authority not only over themselves but over the *merely natural* masters as well. And so the Bible, like all other bases of religions in one form or another, comes to exclaim: "Rejoice ye in that day, and leap for joy: for behold, your reward is great in heaven" (Luke 6:23), "did not God choose the poor of this world to be rich in faith and heirs of the kingdom which He promised to those who love Him?" (James 2:5).

As such, "faith means not *wanting* to know what is true. The pietist [...] is false because he is sick: his instinct demands that truth shall not come into its own at any point. 'What makes sick is *good*; what proceeds from abundance, from superfluity, from power, is *evil*': that is what the believer feels" (Nietzsche, 1888:52). But herein the twisted ingenuity of slave morality lies exposed: by glorifying slave morality, the slaves are actually attempting to glorify *themselves*. The virtues which slave morality demands are precisely those of which the slave is capable - *crucially*, they are the *only* things of which he is capable. The weakness of sickness is turned into the virtue of sacrifice and suffering, ugliness becomes not an *inability* to acquire a mate but *virtuous* chastity, and the weakness of poverty is turned into the virtue of the holy

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<sup>80</sup> Master morality in reflecting nature and life according to Nietzsche says: "What is good? All that heightens the feeling of power, the will to power, power itself in man. What is bad? All that proceeds from weakness. What is happiness? The feeling that power *increases* - that a resistance is overcome" (Nietzsche, 1888:127).

ascetic who boasts not to be concerned with earthly wealth. "Blessed are the poor in spirit, for theirs is the kingdom of God" (Matthew 5:1-13): the beggar takes a vow of poverty and thereby becomes a saint as he acquires his halo *ex nihilo: ex absurdum*.

Through smoke and mirrors the involuntary and frustrating weakness has been turned into a supposedly *controlled* and continual voluntary sacrifice through which the *absence* of power is deceptively transmuted into its opposite: "they make a *duty* of it: their life of humility appears to be a duty, as humility it is one more proof of piety" (Nietzsche, 1878:473). The key to slave morality is that the exact source of the frustration of their will to power - their weakness - negates any choice involved in the performance of these "duties" to which they so vigorously appear to apply themselves. Their weakness allows only one "option": they do not *choose* their slave virtues - as they wish to make others and even more importantly *themselves* believe - any more than a stone "chooses" to fall: they are *condemned* to them. Slave morality as it attempts to judge the masters along its standards of good and evil is nothing more than "a condemnation pronounced by the condemned" (Nietzsche, 1888:56). "If we got to see them, to be sure, even if only in passing, all these singular bigots and artificial saints, it would be the end of them. [...] One must not let oneself be misled: they say 'Judge not!' but they send to Hell everything that stands in their way. [...] 'We live, we die, we sacrifice ourselves for the good' (- 'truth', 'the light', the 'kingdom of God'): [but] in reality they do *what they cannot help doing*" and vainly call this a *choice*, thereby worthy of eternal honour: "that has been the most fateful kind of megalomania that has ever existed on earth" (Nietzsche, 1878:473, emphasis added).

And so it is that through religion the slave tries to become master. Not by heightening his own potency but by bringing down his superiors under the guise of "improving" them according to his slave morality: "this above all is what morality has meant. But one word can conceal the most divergent tendencies. Both the *taming* of the beast man and the *breeding* of a certain species of man has been called 'improvement': only these zoological *termini* express realities - realities, to be sure, of which the typical 'improver', the priest, knows nothing - *wants* to know nothing. To call the taming of an animal its 'improvement' is in our ears almost a joke. [...] They are weakened, they are made less harmful, they become *sickly* beasts through the depressive emotion of fear, through pain, through injuries, through hunger" and through the threat of Eternal Damnation; "but what did such [an individual] afterwards look like when he had been 'improved' and led into a monastery? Like a caricature of a human being, like an abortion: he had become a 'sinner', he was in a cage, one had imprisoned him behind nothing but sheer terrifying concepts. There he lay now, sick, miserable, filled with ill-will towards himself; full of hatred for the impulses towards life, full of suspicion of all that was still strong and happy. In short, a 'Christian'. In physiological terms: in the struggle with the beast, making it sick *can* be the only means of making it weak. This the Church understood: it *corrupted* the human being, it weakened him - but it claimed to have 'improved' him" (Nietzsche, 1888:66). Those who were deemed naturally superior were threatened into supernatural submission: "when the Son of Man comes in his glory, and all the angels with Him, then He will sit on His glorious throne. And all the nations will be gathered before Him, and He will separate them from one another, as the shepherd separates the sheep from the goats; He will put the sheep on His right, and the goats on His left. Then the King will say to those on His right, 'Come, you who are blessed of My Father, inherit the kingdom prepared for you from the foundation of the world. For I was hungry, and you gave Me something to eat; I was thirsty, and you gave Me drink; I was a stranger, and you



invited Me in; naked, and you clothed Me; I was sick, and you visited Me; I was in prison, and you came to Me'. Then the righteous will answer Him, saying, 'Lord, when did we see You hungry, and feed You, or thirsty, and gave You drink? And when did we see You a stranger, and invite you in, or naked, and clothe You? And when did we see You sick, or in prison, and come to You?' And the King will answer and say to them, 'Truly I say to you, to the extent that you did it to one of these brothers of Mine, even the least of them, you did it to Me'. Then He will also say to those on His left, 'Depart from Me, accursed ones, into the eternal fire which has been prepared for the devil and his angels; for I was hungry, and you gave Me nothing to eat; I was thirsty, and you gave Me nothing to drink; I was a stranger, and you did not invite Me in; naked, and you did not clothe Me; sick, and in prison, and you did not visit Me'. Then they themselves will also answer, saying, 'Lord, when did we see You hungry, or thirsty, or naked, or sick, or in prison, and did not take care of You?' Then He will answer them, saying, 'Truly I say to you, to the extent that you did not do it to one of the least of these, you did not do it to Me.' And these will go away into eternal punishment, but the righteous into eternal life" (Matthew 25:31-46). God as the slave and *the slave as God*: master morality replaced by slave morality - nature replaced by anti-nature. The aim of life lies hereby not in life itself but in what comes after, and it is here that we stumble upon *the will to nothingness* as a result of a frustrated will to power which turned on itself. But "every naturalism in morality - that is, every healthy morality - is dominated by an instinct of life [...]. Anti-natural morality - that is, almost every morality which has so far been taught, revered, and preached - turns, conversely, against the instincts of life: it is condemnation of these instincts, now secret, now outspoken and impudent. [...] The saint in whom God" - the deification of both slave morality and the slaves *themselves* - "delights, is the ideal eunuch. Life has come to an end where the kingdom of 'God' begins" (Nietzsche, 1888:55).

Looking at these principles from the view of politics with the "death of God" in the age of science, slave morality evolved a strikingly similar new religion to replace the old one: "[Religion]<sup>81</sup> is nothing more than the typical socialist doctrine. Property, gain, rank and status [...]: all are so many hindrances to happiness, errors, snares, works of the devil, upon which the gospel passes judgment" (Nietzsche, 1968:s209). One supernatural deity became replaced by another - the State. Slave morality now found its expression no longer in the gospel but in democracy<sup>82</sup> and socialist doctrine<sup>83</sup> which "disparages the individual and with its glorification of social welfare [...] emphasizes the power-instinct of the herd" (Nietzsche, 1968:s720).<sup>84</sup> A lot of blood has been shed for either god, but "that *martyrs* prove anything about the truth of a cause is so little true I would be disposed to deny that a martyr has ever had anything whatever to do with truth. In the tone with which a martyr throws his opinion at the world's head there is already expressed so low a degree of intellectual integrity, such *obtuseness* to the question of 'truth', that one never needs to refute a martyr. [...] 'Truth' as every prophet, [...] every Socialist understands the word, is

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<sup>81</sup> Originally: "Christianity"

<sup>82</sup> "The democratic movement is the heir to Christianity" (Nietzsche, 1886:s202).

<sup>83</sup> Which Nietzsche summarized as "the collective degeneration of man" (Nietzsche, 1886:s203).

<sup>84</sup> "It has been often said that power corrupts. But it is perhaps equally important to realize that weakness, too, corrupts. Power corrupts the few, while weakness corrupts the many. Hatred, malice, rudeness, intolerance, and suspicion are the fruits of weakness. The resentment of the weak does not spring from any injustice done to them but from the sense of their inadequacy and impotence. They hate not wickedness but weakness. When it is in their power to do so, the weak destroy weakness wherever they see it. Woe to the weak when they are preyed upon by the weak. The self-hatred of the weak is likewise an instance of their hatred of weakness" (Hoffer, 1955:22).



conclusive proof that not so much as a start has been made on that disciplining of the intellect and self-overcoming necessary for the discovery of any truth, even the very smallest. Martyrdoms, by the way, have been a great misfortune in history: they have *seduced* the inference of all idiots, [...] nations included, that a cause for which someone is willing to die [...] must have something in it" (Nietzsche, 1888:53). The altruism of the martyr who calls for the same in others is deceptive: "the best is lacking when self-interest begins to be lacking. Instinctively to choose what is harmful for oneself, to feel attracted by 'disinterested' motives, [...] 'not to seek one's own advantage' - that is merely the moral fig leaf for quite a different, namely, a physiological state of affairs: 'I no longer know how to find my own advantage'. Disintegration of the instincts! Man is finished when he becomes altruistic. Instead of saying 'I am no longer worth anything,' the moral lie in the mouth of the [slave] says, '*nothing* is worth anything, *life* is not worth anything'" (Nietzsche, 1888:98, emphasis added).

As Hoffer remarked while investigating mass movements, self-sacrifice is easier than self-realization (Hoffer, 1951:59): "the burning conviction that we have a holy duty toward others is often a way of attaching our drowning selves to a passing raft. What looks like giving a hand is often a holding on for dear life. Take away our holy duties and you leave our lives puny and meaningless. There is no doubt that in exchanging a self-centered for a selfless life we gain enormously in self-esteem. The vanity of the selfless, even those who practice utmost humility, is boundless" (Hoffer, 1951:14). The fanatic is always more interested in you than he is in himself. It is not too hard and in hindsight not too surprising to discover the intriguing similarities when we put this next to Nietzsche's explanation of altruism: "among helpful and charitable people one almost always finds that clumsy deceitfulness which first adjusts and adapts him who is to be helped: as if, for example, he 'deserved' help, desired precisely their help, and would prove profoundly grateful, faithful and *submissive* to them in return for all the help he had received - with these imaginings they dispose of those in need as if they were possessions, and are charitable and helpful at all only from a desire for possessions. They are jealous if one frustrates or anticipates them when they want to help. A man who says: 'I like this, I [...] own and mean to protect it and defend it against everyone', a man who can do something, carry out a decision, remain true to an idea, punish and put down insolence, a man who has his anger and his sword and to whom the weak, suffering, oppressed, and the animals too are glad to submit and belong by nature, in short a man who is by nature a master - when such a man has pity, well! That pity has value! But of what account is the pity of those who suffer, or worse, of those who *preach* pity" (Nietzsche, 1886:194, emphasis added). The underprivileged man seeks the reason for his plight not in himself and his personal weakness, but instead externalizes it towards society. The socialist - the nihilist - finds his weakness and consequent frustrated will to power "something of which someone must be *guilty*, [and] can better endure his sense of sickness and ill-constitutedness by finding one whom he can make responsible for it. The instinct of revenge and re-sentiment appears here in both cases as a means of enduring, as the instinct of *self-preservation*: just as is the reverence for altruistic theory and practice. Hatred of egoism is thus revealed as a value judgment under the predominating influence of revenge; on the other hand, as an act of prudence for the self-preservation of the suffering by an enhancement of their feelings of cooperation and solidarity. [...] The cult of altruism is a *specific form of egoism* that regularly appears under certain physiological conditions. When the socialist with a fine indignation demands 'justice' and 'equality', he is merely acting under the impress of his

inadequate culture that cannot explain *why* he is suffering" (Nietzsche, 1968:s373, emphasis added). Instead, a casual instinct asserts itself: "the 'fine indignation' soothes him; it is a pleasure for all wretched devils to scold: it gives a slight but intoxicating sense of power. Even plaintiveness and complaining can give life a charm for the sake of which one endures it: there is a fine dose of revenge in every complaint; one charges one's own bad situation, and under certain circumstances even one's own badness, to those who are different, as if that were an injustice, a forbidden privilege. 'If I am canaille, you ought to be too' - on such logic are revolutions made" (Nietzsche, 1888:96), and it is thus that we see "the resentment which lies behind all socialist ideas" (von Mises, 1951:394).

This brings us to the concept of "equality", which Nietzsche in his "Thus Spoke Zarathustra" introduced with the following parable: "See, this is the tarantula's cave! Do you want to see the tarantula itself? Here hangs its web: touch it and make it tremble. Here it comes docilely: Welcome, tarantula! Your triangle and symbol sit black upon your back; and I know too what sits within your soul. Revenge sits within your soul: a black scab grows wherever you bite; with revenge your poison makes the soul giddy! Thus do I speak to you in parables, you who make the soul giddy, you preachers of *equality*! You are tarantulas and dealers in hidden revengefulness. But I will soon bring your hiding places to light: therefore I laugh my laughter of the heights in your faces. I pull at your web that your rage may lure you from your cave of lies and your revenge may bound forward from behind your word 'justice'. For *that man may be freed from the bonds of revenge*: that is the bridge to my highest hope and a rainbow after protracted storms. But, naturally, the tarantulas would have it differently. [...] 'We shall practice revenge and outrage against all who are not as we are' - thus the tarantula-hearts promise themselves. 'And will to equality - that itself shall henceforth be the name of virtue; and we shall raise outcry against everything that has power!' You preachers of equality, thus from you the tyrant-madness of impotence cries for 'equality': thus your most secret tyrant-appetite disguises itself in words of virtue. Soured self-conceit, repressed envy [...]: they burst from you as a flame and madness of revenge" (Nietzsche, 1885:123, emphasis his).

One look at the world reveals that "nothing is as ill founded as the assertion of the alleged equality of all members of the human race" (von Mises, 1985:28). Nietzsche was opposed to socialism and democracy because they both stem from slave morality and "preach equality between unequals" (Nietzsche, 1888:113). As in religion, he similarly saw in democracy the same "means by which the herd becomes the master," (Nietzsche, 1968:s753) and felt that it essentially "represents the disbelief in great human beings". It says that "everyone is equal to everyone else; at the bottom we are one and all cattle and mob" (Nietzsche, 1968:s752). It is the belief that people are at once too stupid - *powerless* - to be able to successfully govern their own affairs, but are nonetheless capable and *morally justified* through slave morality to vote ultimate power into the hands of their enforcers, who then go on to subdue not only the slaves themselves but also try to usurp the masters - religion reincarnate. Democracy and socialism are in short to Nietzsche the political manifestations of the herd instinct, slave morality "that has now become sovereign. [...] But the value of the units determines the significance of the sum. Our entire sociology simply does not know any other instinct than that of the herd, i.e., that of the sum of zeroes - where every zero [is equal], where it is virtuous to be zero" (Nietzsche, 1968:s53). As Nietzsche did with religion, Ludwig von Mises observed that "what pushes the masses into the camp of socialism is, even more than the illusion that socialism will make them

richer, the expectation that it will curb all those who are better than they themselves are" (von Mises, 1962:123).

The herd believes itself to be incompetent and inferior. Consequently it puts legislation into effect which is expected to justify them in taking from and limiting the competent through the State in the same way that religion did before. Through its mindset which originates from its reactionary weakness, the herd has no incentives to want more competition which would leave most of its members worse off due to their comparative (real or imagined) inferiority. The herd instinct becomes the breeding of tyrants by tyrants: God became State and State became God. Indeed, the whole of both democratic and socialist doctrine *is* slave morality, based upon what is useful to the herd (Nietzsche, 1968:s276). At its very origin, socialism is "the fanciful younger brother of the almost expired despotism whose heir it wants to be - its endeavours are thus in the profoundest sense reactionary; for it desires an abundance of State power such as only the despotism [of slave religion] has ever had. Indeed, it outbids all the despotisms of the past inasmuch as it expressly aspires to the annihilation of the individual, who appears to it like an unauthorized luxury of nature destined to be 'improved' into a useful *organ of the community*" (Nietzsche, 1878:173).

But it is crucially important to recognize that "in talking about equality and asking vehemently for its realization, nobody actually advocates a curtailment of his own present income" (von Mises, 1952:137); income is sign-language: what they really have in mind "is always an increase in their own *power*" (von Mises, 1949:836, emphasis added). It is in this desperate, envious and vengeful cry for equality, exemplified in the creed of the slave which from a position of weakness has the insolence to demand "from each according to his ability, to each according to his need" (Marx, 1875) that we come full circle and reach the ultimate conclusion and often celebrated justification of slave morality itself: the death of Christ on the cross as demanded and sanctioned by the masses (Mark 15:14). "When they had crucified Him, they divided up His garments among themselves by casting lots" (Matthew, 27:35). Here we find the sacrifice for sin "in its most obnoxious and barbarous form: the sacrifice of the innocent man for the sins of the guilty!" (Nietzsche, 1888:s41). Human sacrifice of the individual upon the altar of the herd: cannibalism sanctified under the auspices of mediocrity and the lowest common denominator. A holy *taxation* of the innocent for engorgement of the guilty. But Nietzsche meant to expose the practices of these sacrificial beasts: "by making a sacrifice of yourselves you enjoy the ecstatic thought of henceforth being at one with the powerful being, whether a god or a man, to whom you dedicate yourselves: you revel in the feeling of his power, to which your very sacrifice is an additional witness. The truth of the matter is that you only *seem* to sacrifice yourselves: in reality you transform yourselves in thought into gods [...]. From the point of view of this enjoyment - how poor and weak seems to you that 'egoistic' morality of [...] rationality: it is disagreeable to you because in this case real sacrifice and devotion are demanded [for self-realization] without the sacrificer supposing himself transformed into a god. In short, it is *you* who want intoxication and excess, and that master morality you despise raises its finger against intoxication and excess - I can well believe you find it disagreeable!" (Nietzsche, 1881:s215, emphasis his). It is at this point clear that Nietzsche does not mean to imply that people practice *too much* altruism: he means that they *practice none* - all is self-interest - but *preach* the opposite for their own gain and this under the halo of morality. Neither does he condemn egoism: egoistic actions "have hitherto been by far the most frequent actions" and are inherent to the will to power and nature itself

(Nietzsche, 1881:s148). But even though there is neither much altruism nor equality in the world, it is passionately *preached*. "There is almost universal [superficial] endorsement of the value of altruism and equality - [especially] by those who are its worst enemies in practice" (Leiter, 2007:Ch.4).

Rather than, the gravest danger posed by slave morality according to Nietzsche is not the slaves themselves but the possible contamination and consequent degeneration of the masters if they were to fail in recognizing the true faces behind the masks donned by the slaves. He intended to warn the masters into vigilance and make them aware of the fact that according to him, the "chief means by which the weak and mediocre weaken and *pull down* the stronger" is the unchallenged legitimization of the moral judgment of their slave morality by the masters (Nietzsche, 1968:345, emphasis added). In short, complacency as the number one threat (Buelens et al., 2006:577).

Supposing that we take this warning to heart, what is then important to learn and remember from the above? Several things.

Basing himself on the mechanics of nature, Nietzsche concerns himself with the opposite of Rawls' de facto *artificially* pursued maximin principle<sup>85</sup> which stems from slave morality, necessarily calls for the sacrifice of the individual and has been stripped of any of its universal legitimacy whatsoever. Instead, he argues that the only thing that *can* be pursued by nature and therein be legitimized is a *natural* maximax (Hurka, 1993:77). This implies that only the individual himself - the master who is "strong enough for such freedom" (Nietzsche, 1888:114) - is the creator of his own values and should consequently pursue these goals without concern for the envious and irrelevant anti-nature objections of slave morality, which - due to its being based in weakness - has no legitimacy in nature. All attempted hindrances to this are what Nietzsche described as the re-sentiment of the slave who fears and despises his own inferiority and tries to lash out because of it. As such, the forces behind maximax are essentially the same as those behind evolution and natural selection.

In regards to equality, nature in its rationality must agree with Aristotle who said that it is irrational, anti-natural and therefore unjust when "either equals have and are awarded unequal shares, or unequals equal shares. [...] This is plain from the fact that awards should be 'according to merit'; for all men agree that what is just in distribution must be according to merit in some sense, though they do not all specify the same sort of merit [...]. The just, then, is a species of proportion [...]. For proportion is equality of *ratios*, [...] the unjust is what violates the proportion [...] (Mathematicians call this kind of proportion geometrical; for it is in *geometrical proportion* that it follows, that the whole is to the whole as either part is to the corresponding part.) [...] The ratio between one pair is the same as that between the other pair; for there is a similar distinction between the persons and between the things. As the term A, then, is to B, so will C be to D, and therefore, as A is to C, B will be to D. Therefore also the whole is in the same ratio to the whole; and this coupling the distribution effects, and, if the terms are so combined, effects justly.<sup>86</sup> [...] This,

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<sup>85</sup> The idea that social and economic inequalities should be *arranged* through State intervention so that "they are to be of the greatest benefit to the least-advantaged members of society" (Rawls, 1971:152), supposedly because Rawls says so.

<sup>86</sup> Distributive justice in this sense is the natural division of the distributable honour or reward into parts which are to one another as are the merits of the persons who are to participate. If A (first

then, is what the just is - the proportional; the unjust is what violates the proportion" (Aristotle, 350 BC:112). Von Mises summarized this by explaining that "equality is a term that properly relates to mathematics but not to social science. Human beings are unequal in their endowments, opportunities, and will to achieve. Unequal does not mean inferior or superior [per se]; it merely means different. *Differences are the very source of the division of labour,*" and as in nature, so too amorally "within a market setting, lead not to conflict but cooperation. While differences should be celebrated, property owners have every right to treat people unequally because it is owners that bear responsibility. Legislators, however, should not have any concern for bringing about equality of result or opportunity, either between individuals or groups of individuals classified according to any criterion" (von Mises, 1951:292, emphasis added). In other words, justice lies within equal shares for equals and unequal shares for unequals. It is not *equality* among inherently unequal human beings which concerns us but *proportionality* along the ratios set *beyond good and evil* through the amoral processes of nature and the market.

From this tabula rasa of morality emerges the inherent freedom of our natural self-ownership and its consequences as explained in the previous Chapters. The only question an individual is *advised* to take into account - in being de facto a part of reality himself - is whether his values are with or against nature.<sup>87</sup> In the first case the will to power flourishes, while in the latter it can only end up destroying itself by smashing head-first into the inescapable laws of reality, which - as billions of people throughout humanity's history have come to experience - do not bow to wishful thinking or depth of conviction. *This* is where capitalism gains its legitimacy over socialism: no matter what irrational anti-nature slave morality tries to wish into existence, rational *reality* is ultimately the final court of appeal (Rand, 1957:930). It is the reason why "socialism itself can hope to exist only for brief periods here and there, and then only through the exercise of the extremest terrorism. For this reason, it is secretly preparing itself for rule through fear and is driving the word 'justice' into the heads of the half-educated masses like a nail so as to rob them of their reason - after this said reason has already greatly suffered from exposure to their half-education - and to create in them a good conscience for the evil game they are to play. Socialism can serve to teach - in a truly brutal and impressive fashion - what danger there lies in all accumulations of State power, and to that extent to implant mistrust of the State itself" (Nietzsche, 1878:s473). As we shall see in the following Chapters, reality is on the side of the market.

Through his exposure of slave morality for what it is, Nietzsche has frequently been misunderstood as being a nihilist himself (Hussain, 2007:157). But as I hope my readers have come to understand, the absence of a universal purpose as imposed by a supernatural authority does not mean the absence of value tout court. Quite to the contrary, through master morality and its re-evaluation of values to their natural pre-religious fundamentals, nihilism is overcome (Scruton, 2006:199) in the sense that the absence or existence of a supernatural authority or purpose and meaning is rendered irrelevant through the individual will to power. The individual and morality itself here present themselves as the pivotal point of Austrian Economic value theory<sup>88</sup>: nothing possesses *intrinsic* value as such - only a human mind attributes value (von

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person) : B (second person) = C (first portion) : D (second portion), then  $A : C = B : D$ , and therefore  $(A+C) : (B+D) = A : B$ .

<sup>87</sup> Also see the last Chapter of this thesis.

<sup>88</sup> See the following Chapter.



Mises, 1949:96). Something is valuable only because there is at least one human being who believes that this thing can help satisfy his or her subjective desires. The value of a thing is determined by the interdependence of supply and demand, what Nietzsche would call the interaction of wills of different strength and intensity, and which we as economists recognize as the interactions of perceived cost and utility.

In short, the basics of economics and the natural amorality of the market as the foundation of capitalist philosophy.

## 5. Death and Taxes

In the previous Chapter we took a closer look at the morality and reasoning behind the emergence of the State and the socialist<sup>89</sup> calls for equality (which are cemented into the democratic system of one "equal" vote - no matter what - per person). In this Chapter we will now begin to make the translation from theory into practice with the help of examples from past and present.

In 1848, long before the practical social experiments of the Soviet Union, Nazi Germany, Latin America, Africa and large swathes of Asia proved him right (Courtois et al., 1999), Frédéric Bastiat already recognized in the undercurrents of his own time that the State is "the great fictitious entity by which everyone seeks to live at the expense of everyone else" (Bastiat, 1848:s5.20).<sup>90</sup>

One year later, in 1849, his associate, a Belgian economist by the name of Gustave de Molinari would lay the foundations for modern Anarcho-Capitalism and Austrian Economics in general when he wrote that "if there is one well-established truth in political economy, it is this: that in all cases, for all commodities that serve to provide for the tangible or intangible need of the consumer, it is in the consumer's best interest that labour and trade remain [unrestrained], because the freedom of labour and trade have as their necessary and permanent result the maximum reduction of price [...]. That the interests of the consumer of any commodity whatsoever should always prevail over the interests of the producer. [...] In pursuing these principles one arrives at this rigorous conclusion: that the production of security should in the interest of consumers of this intangible commodity, remain subject to the law of free competition. Whence it follows: that no government should have the right to prevent another government from going into competition with it, or require consumers of security to come exclusively to it for this commodity" (de Molinari, 1849:3). But let us not get ahead of ourselves.<sup>91</sup>

### 5.1 Free Riding on Free Riding

Today it is nigh impossible to find a mainstream economics textbook that does not make the distinction between *private goods* on the one hand, "for which the truth of the economic superiority of capitalist production is generally admitted", and *public goods* "for which it is generally denied" on the other (Hoppe, 1989b:28).<sup>92</sup> We are inclined to wonder where this distinction comes from and through which kind of process it supposedly makes market mechanisms applicable to some goods (private),

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<sup>89</sup> To avoid confusion I wish to make clear that throughout the rest of this thesis I will refer to collectivist and "*statist*" ideologies in all their forms (be it "Marxism", "Leninism", "(Christian) Democracy", "Maoism", "Social Liberalism", "National Socialism", "Socialist Anarchism", "Mixed Economy Socialism", "Conservatism", "State Capitalism", "Democratic Socialism", "Islamism", "Green Environmentalism", "Fascism", "Corporatism", "Syndicalism", etc.) simply as "*socialism*". Even though the terms differ; they are for all intents and purposes the same thing in being diametrically opposed to capitalism and basing themselves on versions of morality incompatible with it. Throughout this Chapter this should become more clear if it is not already.

<sup>90</sup> Do note that this implies no moral judgment but is merely a conveyance of the mechanics of a State. See what follows for an explanation in full.

<sup>91</sup> The specific case of security will be discussed in-depth in the following Chapter because of its perceived difficulty for most people who might otherwise agree with everything else discussed here.

<sup>92</sup> See for example (Baumol, 1952), (Tullock, 1970), etcetera. Note that "goods" include services as well.

and inapplicable to others (public). Generally, the reasoning is as follows: *private goods* like an apple, a haircut, a car, etcetera, are subject to *private appropriation*. He who does not pay for these goods is *excludable* from their consumption: if I eat an apple, somebody else cannot eat that apple as well, if a barber cuts my hair it was only my hair that was cut, and if I drive my car to point A then somebody else cannot use it to drive it to point B at the same time.<sup>93</sup> The determining distinction between that which is private as compared to those types of things which are considered to be public commodities, is "often made in terms of [this] excludability: in the case of private goods, the consumer is able to exclude all others from the benefits; in the case of public goods, he is not, and so some of the benefits *spill over* onto third parties"<sup>94</sup> (Block, 1983:1). Goods which are in other words *non-excludable* (i.e. their benefits cannot be restricted to those who have actually financed their production) are open to so-called *free riders*, who benefit from these goods without paying for them. Such free riding situations are consequently believed to "result in a reduced [or absent] frequency of the beneficial action, since many people will hope to get the benefit for free" (Lott, 2007:86) through the actions of other individuals, while refraining from undertaking those same actions themselves.

At this point I already wish to point out to my readers that this presupposes a dubious image of human society as composed of nothing but Buridan donkeys, who - in being both equally hungry and thirsty at once - when placed precisely midway between some hay and a pool of water are expected to die of hunger and thirst, because it is supposed that it would not be *rationally possible* for them to move in either direction rather than the other. It is doubtful that a donkey has ever died in such a way. Yet it is as we shall see at its core precisely *this* absurd scenario - not a possible concern about investors not getting what is due to them - which among various utilitarians of all kinds and denominations "often elicits demands for State subsidies to encourage the *valuable* activity" (Lott, 2007:86, emphasis added).<sup>95</sup>

For example, if somebody pays guards to patrol around his house, then the neighbours in the surrounding houses also benefit from this added security even though they did not pay for the guards. If A installs a streetlight, all the other inhabitants of the street and the people who merely drive through it benefit from this as well: it costs them nothing to benefit from the light, and since they did not voluntarily agree to pay for its installation they cannot justly be forced to contribute to its maintenance or production by A who *did* pay for it.<sup>96</sup> In earlier times, when lighthouses were still a necessity, all sailors profited from their construction even though they might not all have contributed to the construction or the operational costs. Because of this, it is claimed, when it comes to non-excludable goods, *nobody* has a sufficient incentive to bear the cost of producing them without the ability to make others who also benefit pay along. And since consequently everybody will wait for somebody else to provide them with these non-exclusive goods for free, there will necessarily be a de facto *market failure*, since the market will be unable to provide

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<sup>93</sup> See also Chapter 3.

<sup>94</sup> Such a spill-over (which can be positive and negative) is known in economics as an *externality*.

<sup>95</sup> With "valuable" being an *entirely subjective* valuation depending on who is asked. See what follows.

<sup>96</sup> If A mows your lawn even though you never asked him to do this, he cannot force you to pay for the mowing of your lawn simply because you benefitted from it. If one day you return from work and discover that A painted your house in a different colour or tore down a wall with a sledgehammer without you ever asking him to do so, this does not give A any claims on you (even when A thinks he improved your house). Quite to the contrary: you could rightfully claim that he violated your property.

these desperately needed goods as a result of this lack of excludability. It is in order to rectify this dreaded situation that the State is frantically called upon by most modern economists (and the general public as a whole) to take part in the overall production process through the production of *public goods*; i.e. goods and services which "due to their nature and characteristics would not be provided by a free market" (Berlage et al, 2000:41), "or at least not in *sufficient*<sup>97</sup> quantity or quality" (Hoppe, 1989b:28, emphasis added).<sup>98</sup> The costs of both production and operation of these public goods and services are to be paid for by the State through what is known as *taxation* (to which we will come back specifically in a moment).

It immediately becomes apparent by even the most superficial examination of the distinction between *private* and *public goods* that something is amiss. If the criterion of non-excludability (and particularly its *supposed* consequences like "inadequate" production as described above) is to set the qualification of a certain good, we immediately run into some inescapable contradictions, no matter which way the concept of separate and distinct kinds of goods (private versus public) is approached. For instance, some goods that have been (and to varying degrees still are) considered to be *public* goods and services (railroads, postal services, telephone services, streets,<sup>99</sup> energy services...) can in fact readily be restricted to those who use and finance them, "and hence appear to be *private* goods" (Hoppe, 1989b:28, emphasis added). Vice versa, goods and services that are generally considered to be *private* clearly also have a *public* component due to the non-excludability of their benefits: when A puts a new coat of paint on his house, this benefits those living in or simply driving through his street as well, even though they did not finance either his house, the paint or the labour costs of the painter (whether this was A himself or a professional painter whom A hired).<sup>100</sup> The same is true even on much more abstract

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<sup>97</sup> It bears repeating: "sufficient" as such is an *entirely subjective valuation*, not an objectively measurable characteristic of total production.

<sup>98</sup> "Another frequently used criterion for public goods is that of 'non-rivalrous consumption'. Generally, both criteria seem to coincide: when free riders cannot be excluded, non-rivalrous consumption is possible; and when they can be excluded, consumption becomes rivalrous, or so it seems. However, as public goods theorists argue, this coincidence is not perfect. It is, they say, conceivable that while the exclusion of free riders might be possible, their inclusion might not be connected with any additional costs (the marginal cost of admitting free riders is zero, that is), and that the consumption of the good in question by the additionally admitted free rider will not necessarily lead to a subtraction in the consumption of the good available to others. Such a good would be a public good, too. And since exclusion would be practiced on the free market and the good would not become available for non-rivalrous consumption to everyone it otherwise could - even though this would require no additional costs - this, according to statist-socialist logic, would prove a *market failure*, i.e., a *suboptimal* level of consumption. Hence the State would have to take over the provision of such goods. A movie theatre, for instance, might be only half full, so it might be 'costless' to admit additional viewers free of charge, and their watching the movie also might not affect the paying viewers; hence the movie would qualify as a public good. Since, however, the owner of the theatre would be engaging in exclusion, instead of letting free riders enjoy a 'costless' performance, movie theatres would [if we were to follow this kind of logic through] be ripe for nationalization" (Hoppe, 1989b:41, emphasis added).

<sup>99</sup> See what follows and, among many others, (Block, 1980/1983/2009), (Tucker, 2009).

<sup>100</sup> The opposite can happen as well, as a recent debate in the US has shown. After taking a class that covered global warming, some people in Ohio who lived in a *private* community in the form of a mobile home park - i.e. where one knows that buying property there means abiding to privately agreed upon rules in the same way one takes out a mortgage under the acceptance of the rules that the money will be used to buy a house and not a cruise around the world - decided to save energy by drying laundry on a clothesline at their mobile home. However, "Ms. Saylor was forbidden to dry her laundry outside because many people viewed it as an eyesore, not unlike storing junk cars in driveways, and a marker of poverty that lowers property values". This was agreed upon when she bought her spot in the

levels, and perhaps more importantly so as these instances of externalities are so easily and frequently overlooked. When B buys some gloves to help her through the winter, it is she alone who gets the benefit of wearing them - no one else. However, when she gets an inoculation against the flu, it is "a commodity which is not subject to the exclusion principle. While [B] gets benefits from having the shot, the benefit is not exclusively hers. Having become immune to the disease, she cannot communicate it to other people". The people who - unlike B - did not pay for the shot (be it in terms of money or discomfort) "cannot be excluded from the benefit of the shot, even though they did not pay for it and even though the person who received the shot cannot charge them for it" (Hayeman, 1970:25). In similar fashion, if B gets a haircut, some effects of this might spill over to others: her well-groomed appearance might be very pleasing to those who see her walking by. But at the same time it might annoy and thereby negatively affect other possibly insecure women who are perhaps jealous when their partners look at her. Indeed, "even those people who do not throw money in his hat can profit from a street musician's performance. Those fellow passengers on the bus who did not help me buy it profit from my deodorant. And everyone who ever meets me [profits] from my efforts, undertaken without their financial support, to turn myself into a most lovable person. Now, do all these goods - property improvements, street music, deodorants, [...] - since they clearly seem to possess the characteristics of public goods, then have to be provided by the State or with State assistance?" (Hoppe, 1989b:29). Does this signify that since other people are affected and cannot be excluded from the (positive or negative) effects which they did not finance, B's haircut is thereby in fact a public good and *rationaly could not have been privately produced*? And if it does not, then what is the difference with other public goods? Perhaps B is allowed to charge others for her haircut since they benefit from it, and could it be that she at the same time has to compensate others who dislike it? And what mechanism made B get a haircut, a vaccination or deodorant in the first place, *even though not all people who benefitted from it could be made to contribute to her investment*? In short, why did she not care about free riders?

As these various examples of privately produced "public goods" indisputably show, "there is something seriously wrong with the thesis of public goods theorists" who claim "that public goods cannot be produced privately, but instead require State intervention. Clearly, they *can* be provided by markets" (Hoppe, 1989b:29, emphasis added), they *have* been provided throughout all of human history, and *are* in fact being provided right now. To illustrate, postal services have switched several times and under differing conditions from being considered at some point public and at

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private community just like people often agree to pay for the wages of the staff that maintains their apartment building when buying property in it. In spite of this, "State lawmakers in Colorado, Hawaii, Maine and Vermont have overridden these local rules with legislation protecting the right to hang laundry outdoors, citing environmental concerns since clothes dryers use at least 6 percent of all household electricity consumption". Not too surprisingly, "the new laws have provoked a debate. Proponents argue they should not be prohibited by their neighbours or local community agreements from saving on energy bills or acting in an environmentally minded way. Opponents say the laws lifting bans erode local property rights and undermine the autonomy of private communities. [...] It seems like such a mundane thing, hanging laundry, and yet it draws in all these questions about individual rights, private property, class, aesthetics, the environment". But the answer to this question is provided in the article itself: "when it comes to clotheslines, it should be up to each community association, not State lawmakers, to set rules, much like it is with rules involving parking, architectural guidelines or pets" (Urbina, 2009). My thanks to professor Peferoen for this example. In similar vein, for a thorough explanation of how zoning rules would come into existence in a free market system, see (O'Neill, 2009) and (Camplin, 2010).



another private services.<sup>101</sup> Streets were historically privately financed and owned, and as any visit to France and several other countries will show, in various instances still successfully are.<sup>102</sup> Even the lighthouses mentioned earlier were in fact the result of private investment: "since most of the benefit of a lighthouse accrues to ships using particular ports, lighthouse maintenance fees [were] often profitably bundled with port fees" which was sufficient to produce and maintain them (Coase, 1974).<sup>103</sup> What is more, "*private* police forces, detectives, and arbitrators exist<sup>104</sup>; and help for the sick, the poor, the elderly, orphans, and widows has been a traditional concern of *private* charity organizations.<sup>105</sup> To say, then, that such things *cannot* be produced by

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<sup>101</sup> For a worldwide overview of all existing postal services and their modern histories (like the return to privatization after the failure of nationalized structures), see (UPU, 2009).

<sup>102</sup> See for example (Whaples, 2008), (Patton, 2008) and (Roth, 1998).

<sup>103</sup> But even so, "the lighthouse [...] is a *public* good only insofar as the sea is publicly (not privately) owned. But if [...] pieces of the ocean [were] private property, as it would be in a purely capitalist social order, then as the lighthouse shines over only a limited territory, it would clearly become possible to exclude non-payers from the enjoyment of its services" (Hoppe, 1989b:29, emphasis added). The positive effect of private property over presently "unlikely" resources is also seen in terms of the handling of pollution. Take the example of African environmental conservation: hunting on private reservations in Africa has actually increased the population of African wildlife. "Trophy hunting is a specialized form of tourism through sustainable wildlife utilization. It is the practical application of 'Incentive-Driven-Conservation'. The World Conservation Union (IUCN), gathered at the 3rd World Conservation Congress in Bangkok in November 2004, has adopted a recommendation on sustainable consumptive use of wildlife and recreational hunting in Southern Africa proposed by the Game Rangers Association of Africa, the Endangered Wildlife Trust and the South African National Parks. With this Recommendation, IUCN accepts that recreational hunting has a role in the managed sustainable consumptive use of wildlife populations" (Damm, 2007:4). Yet, "free-market societies are under fire from environmentalists today for supposedly ruining the planet. But the passionate debate about global warming and the moral implications of waste and pollution has arisen only in politically free societies. Moreover, as governments debate whether global warming is really man-made, economic actors have already begun to incorporate these concerns into their production and investment. They have begun taking measures to build more fuel-efficient cars and to create affordable systems to provide alternative sources of energy. Greener-than-thou marketing is a strong force among a certain sector of consumers. Corporations and firms do this because they are rational economic actors. Companies that are greener make more profits than those that are not" (JTF, 2008:23). Also see (Loveridge et al., 2006) and (CIC, 2007) for an overview of articles discussing the effects of private game hunting on wildlife in Africa.

<sup>104</sup> More on these in the following Chapter.

<sup>105</sup> Note that "it is not possible, ever, for government to tax one set of persons and redistribute the same amount to a set of subsidy recipients. Some fraction of each dollar taxed will always be absorbed in wages and salaries of the administrative bureaucracy, costs of purchasing, powering, maintaining and replacing equipment, buildings, etc., and other overhead costs. Only the remainder will actually be received by the target population in the form of cash or in kind payments. Many advocates of compulsory income redistribution have tended to ignore this inconvenient fact altogether in their writings. [...] Indeed, most of the public discussion proceeds with an implicit assumption of costless, dollar-for-dollar income transfers. [...] Even more sophisticated analysts, such as Arthur Okun (1979:91), have simply asserted, without citing evidence, that such 'leakages' are small, amounting to only a few cents per dollar. This erroneous view dominates the academic and political classes. Of course, it is also true of private charities dependent on voluntary donations that they have costs absorbing part of their revenue, but there is a huge difference in the *efficiency* with which they operate relative to government. Contrary to Okun, public income redistribution agencies are estimated to absorb about *two thirds* of each dollar budgeted to them in overhead costs, and in some cases as much as *three quarters* of each dollar. Using government data, Woodson (1989:63) calculated that, *on average, 70 cents of each dollar budgeted for government assistance goes not to the poor, but to the members of the welfare bureaucracy and others serving the poor.* Tanner (1996:136) cites regional studies supporting this 70/30 split. In contrast, administrative and other *operating costs in private charities absorb, on average, only one-third or less of each dollar donated*, leaving the other two-thirds (or more) to be delivered to recipients. Charity Navigator ([www.charitynavigator.org](http://www.charitynavigator.org)), the newest of several private sector organizations that rate charities by various criteria and supply that

a pure market system is falsified by experience a hundredfold" (Hoppe, 1989b:29). In short, "a clear-cut dichotomy between private and public goods does not exist [...]. All goods are more or less private or public and can - and constantly do - change with respect to their degree of *privateness* [or] *publicness* [...].<sup>106</sup> They can never be private or public goods *as such*" (Hoppe, 1989b:30, emphasis added). The simple fact that so many goods and services have flipped between these two distinctions several times over should on its own serve as sufficient proof of the arbitrariness of this distinction for the non-dogmatic among us. The demarcation between a private and a public good and the inherent State-enforced treatment of it as such is in other words completely illusory at best and wildly arbitrary at worst. There are in short two questions involved in these free riding situations: "do others benefit from your action? And if so, is it possible to prevent them from getting this benefit" (Lott, 2007:86)? It is when it is not possible to exclude others from such benefits that a free riding "problem" is *thought* to develop.

But if there is anything that the market - i.e. intelligent and ambitious people with self-interested profit motives and the freedom to voluntarily pursue them - is good at, it is finding solutions to seemingly unsolvable problems.

This matter of fact can be demonstrated with an everyday example, which is a telling case of what lurks around the corner when we leave the door open for public goods theorists to meddle in free market affairs. I am referring to the romantically rustic practices of beekeeping and apple farming (Cheung, 1973:11). As the story of the flowers and the bees teaches us, bees feed on the nectar of blossoms and thereby unwittingly - as they jump from blossom to blossom - pollinate the trees and flowers which they visit. But alas, some gravely and selflessly concerned economists, apparently unhindered by a dash of common sense, feared that "apple growers were free riding from neighbouring beekeepers, and that this would eventually result in too few apples as well as too little honey" (Lott, 2007:86). Surely, the disastrous amount of free riding involved could ultimately only lead to the disappearance of both apples and bees. Beekeepers, so distraught by their neighbours freely benefitting from their presence, were expected to stop producing honey, kill their bees and halt all their productivity in outraged protest if they only were to suddenly realize how gravely they were being exploited and abused. That no such thing happened or seemed to be happening was beside the point: obviously free riding was involved and it could therefore end in no other way. Or could it? It turned out that some orchard owners simply had their own bee hives and produced honey as well, but the most frequently

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information to the public on their web sites, found that, as of 2004, 70 percent of private charities they rated spent at least 75 percent of their budgets on the programs and services they exist to provide, and 90 percent spent at least 65 percent. The median administrative expense among all charities in their sample was only 10.3%. The basic reason for this large differential in costs between private and public agencies is not difficult to see. Depending on *voluntary* contributions, private agencies are under strong pressures to operate efficiently and keep costs low. Benevolent citizens naturally wish a large fraction of their donations to reach the needy, and many will not keep donating to an agency that does not accomplish that. Donors can select among private non-profit charities, and *competition* between charities for donations tends to insure efficiency. Public aid agencies, in contrast, are budgeted their funds by the State, which obtains them through *compulsory* taxation. These agencies are *not* under competitive pressures to keep costs down that are remotely equivalent to those of private charities. Indeed, their incentives may be much the opposite (Niskanen,1994)" (Edwards, 2007:4). For more on the historical organization of free market private charities and *voluntary* social security, see (Chodes, 1990). For the negative effect of government growth on private charity, see (Garrett et al., 2007).

<sup>106</sup> See the example of roads, postal services; indeed *anything at all* when comparing capitalist versus collectivist societies.

applied solution was that both beekeepers and orchard owners had a mutual interest in cooperation and this cooperation had been formed *naturally* and *voluntarily* through free market exchanges (Cheung, 1973). This was, among other things, evidenced by the fact that the "Yellow Pages in rural Washington State developed long listings of pollination services available to farmers. Yet, despite the evolution of free market solutions, beekeepers cited the existence of this *potential* free riding situation as an excuse to lobby the State to implement a honey price support program" (Lott, 2007:87). The subsidies started out small in the early 1980's, but as is to be expected when other people's money is being handed out and there is no personal incentive to keep costs in check, they "quickly grew into a massive subsidy scheme costing U.S. taxpayers around \$100 million annually by 1984" (Muth, 2003).

Similar stories abound. I expect that most if not all of my readers know - and take for granted - that the activity of commercial radio broadcasting is paid for through the selling of advertisement time between songs and programs. This is what not only recovers the cost but also allows for profits to be made (which can then be invested in new programs or other ventures and so on). Yet, to the best of my knowledge, very few people realize that potential free riding "problems" initially seemed almost insurmountable in providing radio services. At the dawn of radio broadcasting, a true conundrum presented itself to radio enthusiasts, making many believe that mass broadcasting would die out before it even started. The problem? No one could figure out how to make listeners pay. Anybody who bought or simply made a rudimentary receiver was able to tune in to any available channel within broadcasting range for free.<sup>107</sup> Due to the inherent nature of radio waves it was at the time impossible to limit the reception of certain radio channels to only those people who subscribed to them.<sup>108</sup> As a necessary result, entertainers and broadcast technicians of all sorts were usually working for free on their own spare time, even if it meant that they had to bear the costs of their hobby while others benefitted from their time and investment, in what was then extremely expensive state of the art technology (White, 2009).<sup>109</sup> But this obviously did not stop people from making radio broadcasts anyway. Even so, by 1922 an article in a magazine called "Popular Radio" claimed that radio was "essentially a public utility" and that the State was therefore to take charge of the production of radio broadcasting services due to the obvious free riding involved (Kaempffert, 1922:236).

Never shying away from an increase in their own power, State officials were set to do just that, even though the frantic claims of the disappearance of radio broadcasting before it even started were debunked in factual reality through the growing number of people who were doing it voluntarily - simply because they wanted to, out of curiosity and amusement, even if it did cost them money and effort for which they got no (monetary) payment in return (White, 2009).

But if there is value in something, somebody always figures out a way to make a profit. And so it came to be that in 1922, AT&T<sup>110</sup>, a company which still exists today

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<sup>107</sup> Or at least without any form of payment to the makers of the radio programs they could receive.

<sup>108</sup> With modern technology it might be possible to encrypt the broadcasts and thereby solve the problem through renting out receivers only to subscribers who could then decrypt the programming, much like modern satellite services now sometimes do. Of course, at the time of the first radio broadcasts this was due to the general state of technology not yet an option.

<sup>109</sup> Some radio stations still do, for the same reason: simply because they enjoy doing it.

<sup>110</sup> American Telephone & Telegraph.

as one of the largest corporations on the planet, discovered that it could recover its costs and on top of that turn out a profit by selling radio advertising airtime. With one simple but brilliant swoop, the "problem" of free riding (which did not cause any actual *problems* in the first place) was solved. In hindsight, "it is hard to believe that *private* radio almost died in its infancy because people could not figure out how it could make money" (Lott, 2007:87). Of course, the gears were set in motion, and to this day several countries<sup>111</sup> still have nationalized radio and television broadcasts which get paid for by *every* tax payer, regardless of whether he or she *wants* to or not (or whether he or she even *has* a radio or television), and regardless of the appeal of what is being broadcasted. On top of this, the market gets distorted even more as these collectivistic entities - which have often been abused for propagandistic uses of varying subtlety<sup>112</sup> - take away advertising money under the guise of supposed market conformity from commercial broadcasting companies, who as a final absurdity are also essentially *forced* to keep their State-backed competitors in the saddle through taxes on their profits which *they* by contrast *did* earn through market merit instead of political manoeuvring.

If we look at an example which I believe most of my readers will have watched at least once in their lives, in the UK, everyone who is able to receive *any* live television broadcast *from any source* is forced to buy a so-called "television license".<sup>113</sup> The money generated by this is used "to provide radio, television and Internet content for the British Broadcasting Corporation (BBC)" (OPSI, 2004). What this means in effect is that this "television *license fee*" is actually an indirect *taxation* for the use of a television or any such a receiver (like a computer that is connected to the internet or a satellite dish). If somebody would like to watch TV in the UK, he or she has no other choice than to pay the UK government in order to be *allowed* by the State to do so. The fact that it is called a *fee*, like a fee one would pay for a visit to the doctor or in return for the advice of an accountant, does little to hide its true characteristics. Considering the fact that all but a few citizens in the UK will be required to "buy" it by default, whether they watch the BBC or not, it is no stretch to expose this "*fee*" for what it really is: just one more form of direct *taxation*. "What's in a name" (Shakespeare, 1595:Act II) is a frequently recurring question in dealing with the Newspeak<sup>114</sup> of such collectivistic euphemisms. In being *enforced* by the State, it does

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<sup>111</sup> For example: Prasar Bharati in India, PBC in Pakistan, RTHK in Hong Kong, NHK in Japan, RTM in Malaysia, HRT in Croatia, ERR in Estonia, ARD in Germany, RTE in Ireland, RAI in Italy, RTCG in Montenegro, NPO in the Netherlands, BBC in the UK, NRK in Norway, YLE in Finland, RTVE in Spain, Canal 7 in Argentina, CBC in Canada, TN in Chile, teleSUR in Venezuela, ABC in Australia, TVNZ in New Zealand, TV Brasil in Brazil, Cubavisión in Cuba, SABC in South Africa, IBA in Israel, IRIB in Iran, Arte in France, ERT in Greece, RTBF and VRT in Belgium, etcetera.

<sup>112</sup> For example, the national broadcasting network teleSUR in Venezuela was created by Venezuelan President Hugo Chávez with the essentially specific intent of propaganda, and is "to offer a 'Southern' perspective, and combat what he calls 'the conspiracy' by networks to ignore or 'distort' information from and about this region" (Harman, 2005).

<sup>113</sup> This includes the *commercial* channels, cable and satellite transmissions and the internet.

<sup>114</sup> From "The Principles of Newspeak", an appendix to the dystopian novel Nineteen Eighty-Four by George Orwell: "Newspeak was the official language of Oceania, and had been devised to meet the ideological needs of Ingsoc, or English Socialism. [...] The purpose of Newspeak was not only to provide a medium of expression for the world-view and mental habits proper to the devotees of Ingsoc, but to make all other modes of thought impossible. [...] To give a single example - the word *free* still existed in Newspeak, but could only be used in such statements as 'The dog is *free* from lice' or 'This field is *free* from weeds'. It could not be used in its old sense of 'politically free' or 'intellectually free', since political and intellectual freedom no longer existed even as concepts, and were therefore of necessity nameless. [...] As we have already seen in the case of the word *free*, words



not matter what one gets in return for this "fee", or what it stands up to compared to something else provided by *commercial* channels: even if an individual only wants to watch television broadcasts on non-BBC channels, he or she is still forced by law to fund the BBC anyway through the State-enforced payment of a television license tax.<sup>115</sup> Once this money is collected, the BBC then uses these taxes to "compete"<sup>116</sup> with commercial channels, which by contrast operate along the mechanisms of economic reality instead of the for all intents and purposes - as far as bureaucratic policy makers are concerned - bottomless pits of inherently *service-inelastic* subsidy.

If a commercial channel were to broadcast things which nobody watches, it would automatically and extremely quickly lose its funds - advertisement money - and go out of business. Nobody pays to advertise to a non-existent audience. But whether all of the UK populace or not a single person actually watches the BBC, the BBC still gets its subsidies anyway - funds which have been expropriated from people who might never watch it in the first place or would quite possibly be unwilling to pay for the BBC if they were free to subscribe to it or not in the same way as one is free to buy a blue car or a yellow one. But through the exploitation of unavoidable taxes - even if one were only wanting to watch nothing but the commercial channels - the BBC instead is "competing" with commercial companies who rely on bringing in advertising money by providing content which the public wants to watch, but which is at the same time being provided for by a non-market company that fundamentally gets fed by State force. Ergo, even if this publicly funded company offers content which some like, it is not doing this under market principles. What is more, every viewer watching the tax-funded BBC is one less viewer adding to the advertisement potential of commercial channels, who at the same time draw more and more people to watching television, who in turn have to pay the "fee" to fund the BBC - a *subsidized* "competitor" - with or without their consent.

As it necessarily does - like a reversed and institutionalized Midas which turns everything that it touches into muck - the State in the case of the BBC completely distorts the television market as a whole. It is not even a question of some kind of

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which had once borne a heretical meaning were sometimes retained for the sake of convenience, but only with the undesirable meanings purged out of them. Countless other words such as *honour*, *justice*, *morality*, [...] *science*, and *religion* had simply ceased to exist. A few blanket words covered them, and, in covering them, abolished them. All words grouping themselves round the concepts of *liberty* [...], for instance, were contained in the single word *crimethink*, while all words grouping themselves round the concepts of objectivity and rationalism were contained in the single word *oldthink*. Greater precision would have been dangerous. What was required in a Party member was an outlook similar to that of the ancient Hebrew who knew, without knowing much else, that all nations other than his own worshipped 'false gods'. He did not need to know that these gods were called Baal, Osiris, Moloch, Ashtaroth, and the like: probably the less he knew about them the better for his orthodoxy" (Orwell, 1949:312). The most famous examples of this Newspeak are the foundations of the collectivist society in the novel: "War is peace, freedom is slavery, ignorance is strength". But not too surprisingly, "history has witnessed the failure of many endeavours to impose peace by war, cooperation by coercion, unanimity by slaughtering dissidents," only to discover that "a lasting order cannot be established by bayonets" (von Mises, 1944:7). Newspeak can be observed in the real world through euphemisms as mentioned above, of which something like all that surrounds "political correctness" is just one more example. Also see in this regard the re-sentiment of master values by slave morality, which turns old virtues into vices and vice versa, as discussed in the previous Chapter.

<sup>115</sup> Under State threat of further confiscation of property in the form of fines if such a license is not *bought* "voluntarily".

<sup>116</sup> Although, obviously, one cannot truthfully speak of "competing" when subsidies are involved to leech off the *successful* competitors who get coercively robbed by the State to provide the subsidies for the *unsuccessful*. See Newspeak.



market monopoly on the part of the BBC: the BBC is not even participating in the market due to its subsidized funding which is completely detached from supply and demand or any competitive market realities whatsoever.

Some might claim that this point is moot because - undeniably - a lot of people enjoy watching the BBC. But that gives no explanation or justification whatsoever as to why *even those who do not* are *forced* to pay for its funding anyway. If a lot of people like dogs and cats in the same numbers and degree as they like the BBC, few - one can only hope - would argue that this is sufficient reason to *enforce* pet food taxation *onto the whole populace*, including even those who are perhaps afraid of or allergic to dogs and cats, in order to provide the subsidies for those who *do* happen to desire a pet. Common sense says that those who want a pet do *not* have the right to forcefully expropriate other people's money to pay for its food. But the fact of the matter is that in the case of the BBC - fully in line with all subsidized entities and "public goods" in whichever shape or form imaginable - this basic a priori behavioural pattern of civil human interaction for some reason does not hold. One has to pay for the BBC even if one directly opposes it. There is no way for commercial broadcast companies in the UK to reach their customers without funding their non-market subsidized detractor. Viewers have to pay for the license fee even if they only want to view commercial channels, which are in other words effectively *forced to fund their own hangman* as they draw more people to television broadcasts in general. That is the full absurdity of not only the BBC but any "State enterprise" of whichever denomination. Not only that, but non-UK citizens who watch the BBC did not pay this tax and therefore did not pay for the BBC broadcasts which they watch as well. But who has ever heard the BBC being accused of such free riding on the backs of its commercial counterparts? And what about the free riding by non-UK citizens who watch the BBC? Was it not in order to *prevent* free riding that broadcasts had been nationalized in the first place?

This does not make any sense. Yet, such is the "logic" of State interventionism, and such are its "solutions" to problems that did not pose a *problem* in the first place.

If we keep the above in mind and return to our examination of the early days of radio broadcasting while observing the way it works today, it is at best "highly unlikely that the State would have distributed payments as efficiently as advertisers do".<sup>117</sup> The

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<sup>117</sup> University of Washington professor Jonathan Karpoff provided another striking example of how staggeringly wasteful and inefficient government action can be. "Karpoff studied the thirty-five government-sponsored expeditions, along with the fifty-seven privately funded voyages, that explored the Arctic, the Northwest Passage, and the North Pole from 1818 to 1909. Arctic exploration, like space missions, is an excellent example of a public benefit that many would assume could not be achieved privately. Much of the exploration is similar to pure scientific research that offers no immediate commercial benefit. Compared to their private counterparts, government expeditions to the Arctic enjoyed much better funding, bigger ships, and crews that were over four times larger (averaging seventy members versus seventeen for private voyages). Nevertheless, public expeditions were more likely to end in tragedy - an average of nearly six crewmen died on government voyages, compared to fewer than one on the average private trip. Furthermore, government expeditions lasting over a year suffered scurvy rates that were four times higher, while the chance of losing a ship was over double that of private expeditions (Karpoff, 2001). Despite their smaller crews and lower funding levels, the private teams accomplished five of the six major Arctic discoveries. Karpoff elaborated some of the reasons behind these results. Government expeditions had to operate by committee and political factors played a role in dictating their crews' composition. Private expeditions, in contrast, were more efficient and much faster at learning from past experience. Perhaps most importantly, private voyages were more responsive to incentives for success - *their decision makers directly bore the costs and reaped the benefits of their own actions*" (Lott, 2007:93, emphasis added).

better one serves his audience, the more valued his advertising airtime will be and consequently the more advertising money one can bring in. The market mechanisms which dictate the value of airtime in effect simultaneously allow the liked broadcasters who serve their audience best to enjoy their success, and the bad ones to be "weeded out" naturally as they respectively gain and lose advertisement money. This *without any State intervention whatsoever* and without anybody being *forced* - through taxes - to "buy" things which *they* do not value. As these examples show, companies and individuals alike "find amazingly creative ways to solve free-riding situations, while government subsidies only deaden the incentive to discover these solutions" and create *actual problems* where none existed before (Lott, 2007:87).

But even if we were to ignore the lessons provided by the above examples,<sup>118</sup> this does not in itself lead to a justification or reason as to why "public goods - assuming that they even *exist* as a separate category of goods - 'should' be produced *at all*, nor why the State rather than private enterprises 'should' produce them" (Hoppe, 1989b:30, emphasis added). Even *if* free riding were to actually cause the problems ascribed to it, somehow contrary to what is observed in practice, this does not default into a situation where State intervention (which de facto implies force)<sup>119</sup> is *justified*.

Essentially, public goods theorists claim that "the positive effects of public goods for people who do not contribute anything to their production or financing proves that these goods are *desirable*. But evidently they would not be produced, or at least not in *sufficient* quantity and quality, in a free, competitive market, since not all of those who would profit from their production would also contribute financially to make the production possible.<sup>120</sup> So in order to produce these goods (which are evidently desirable, but [are thought] not [to] be produced otherwise), the State must jump in and assist in their production. [...] For one thing, to come to the conclusion that the State *has* to provide public goods that otherwise would not be produced, one must smuggle a norm into the chain of reasoning. Otherwise, from the statement that because of some special characteristics they have, certain goods *would* not be produced, one could never reach the conclusion that these goods *should* be produced" (Hoppe, 1989b:30, emphasis added). It is important to let this sink in.

Once the concept of public goods is invoked, the study of economics - which as a *science* can only be described in such terms when it is *objective*, there are no ethics involved in the science of mathematics, physics or chemistry either - gets diluted with inherently *subjective* ethics and the false presumption of their universality that is to outweigh the normative ethics of others *through force*.<sup>121</sup>

In the end, all utilitarian efficiency arguments for the use of force are irrelevant from the start because "there simply exists no non-arbitrary way of measuring, weighing, and aggregating individual utilities or dis-utilities that result from some [enforced] *allocation* of property rights" as opposed to their unadulterated natural order. "Hence any attempt to recommend some particular system of assigning property rights in terms of its alleged maximization of 'social welfare' is *pseudoscientific* humbug" (Hoppe, 1989b:42, emphasis added). In order to arrive at the conclusion

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<sup>118</sup> I.e. the free riding caused by trying to eradicate free riding in the absence of a justification or even any form of *need* of intervention, or the *absence of existence* of a free riding *problem* in the first place.

<sup>119</sup> See below.

<sup>120</sup> I.e. due to free riding deterring a desired frequency of a beneficial action. See above.

<sup>121</sup> See the previous Chapter.

that the State has to provide the production of this or that public good du jour,<sup>122</sup> it can only imply that whenever it is somehow shown that the production of a particular good or service has a desirable effect - by whatever whimsical and subjective standard of one or more people - but would perhaps not be produced at all, or "not in a definite quantity or quality unless certain people participated in its financing, then the use of *aggressive violence* against these persons" whose contribution is somehow deemed to be *needed* is magically allowed, "either directly or indirectly with the help of the State, and these persons may" then morally and practically "be *forced* to 'share'<sup>123</sup> in the *necessary* financial burden" (Hoppe, 1989b:31, emphasis added).<sup>124</sup> But all that this subjective *feeling* of entitlement over other people's property and the use of force and aggression "for the greater good" amounts to is ultimately the conclusion that anyone can attack anyone else whenever he feels like it. All the aggressor needs to do is prove that, by some subjective standard (his own suffices), "society" would benefit from such tinkered *redistribution* of the costs for this and that "public good". The *greater* good by any standard is supposed to trump all else - even individual self-ownership - when it really comes down to it.

Even so, not only is the moral and factual basis for public goods theory - and the supposed justification of State intervention and its inherent coercion - totally absent, even its utilitarian reasoning shoots itself in the foot as soon as one takes a closer look. It is quite clearly possible, and indeed known and shown to be a *fact*, that *anarchists* exist "who so greatly abhor State action that they would prefer not having the so-called public goods at all to having them provided by the State. [...] To [simply] leap from the statement that the public goods are 'desirable' to the statement that they should therefore be provided by the State is anything but conclusive" (Hoppe, 1949b:32). The conception of any good as "public" - and therefore to be funded and enforced by the State - is entirely subjective: if it were objective then such a good could not flip between private and public over time any more than the sum of one plus one could objectively change from two to three. Enforcing such subjective norms through State coercion on *disagreeing* others from behind a thin veil of universalist pretensions and bombastic paternalism bears no moral justification whatsoever.<sup>125</sup>

But let us think the utilitarian excuse for State aggression in order to produce those supposed public goods through from an *economic* point of view. Nothing is a *good* "unless at least one person *subjectively* evaluates it as such. But then, when goods are never *goods-as-such* - i.e. when no physicochemical analysis can identify something as an economic good - there is clearly *no fixed objective criterion* for classifying goods as either private or public" (Hoppe, 1989b:30, emphasis added). Indeed, "the very subject matter of economics - capital goods, money, wage rates, etc. - is not defined by physical or chemical properties, but instead by the mental or subjective attitudes that human minds take toward these things. [...] For example, even if a particular root cures cancer, if no one knows this fact, then the root has no economic value, and people will not trade money for it. Consequently, value is caused by an individual's subjective desires and his or her beliefs about the causal properties of a particular item" (MI, 1996:5). In other words, the *value* of a good is solely determined by the

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<sup>122</sup> What is a public/private good one day can, as we have seen, magically be labelled as private/public the next, depending on the arbitrary fancy of those lauded shapers of society who momentarily control the apparatus of the State.

<sup>123</sup> See Newspeak.

<sup>124</sup> "From each according to his ability, to each according to his *need*" (Marx, 1875, emphasis added)

<sup>125</sup> See the previous Chapter.

interdependence of supply and demand, or what might be called the interaction of necessarily subjective cost and inherently subjective utility.

Imagine a bottle of water which in each situation costs 10 to supply: 2 worth of resources and 8 wage costs; including everything from manufacture to delivery (unless mentioned otherwise, for each separate scenario the location of the water bottle factory changes as well, along with the other circumstances, so that the cost of  $2+8=10$  including transport and such stays the same).

The following situations involving this bottle of water that costs 10 to supply occur:

1.a) Person A who is taking a break at work around noon is willing to pay 10 for the bottle of water, i.e. he *values* it at 10. His colleague B is willing to pay 14 for that exact same bottle in the exact same circumstances, perhaps because he has more money than A or he is a bit thirsty. Colleague C, under the same circumstances, is not thirsty and does not like plain water all that much anyway; he is willing to pay no more than 7 for the exact same bottle and is not interested in it for any more than that. In this situation, the *value* of the bottle of water is 14, which is what B is willing to pay.

1.b) If (perhaps a different) supplier already sold a bottle of water to B, and B consequently no longer wants any water regardless of price, then the value of a bottle of water in those circumstances now drops to 10, which is what A is willing to pay.

1.c) If the same now happens with A and only person C is left, then the value of the bottle drops to 7 - unless *the supplier* still values it at 10 because he wants to break even, or perhaps 11 since he wants to make at least 1 profit and will not sell it for less (the value is then 10 or 11 respectively, and no exchange will happen because the supplier values it more highly than anybody else).

1.d) But it is equally plausible that taking the bottle of water back to the storage facility to store it there would cost the supplier an extra 4, or perhaps the supplier needs money quickly for whatever reason and cannot afford to leave his investment tied up in an unsold bottle of water. Because of this he might very well decide to reasonably cut his losses and willingly sell the bottle to C for 7 even though it cost him 10 to supply it. The value of the bottle is then 7: that is the most anybody is willing to give for it.

1.e) If both A, B and C are no longer thirsty or interested in the bottle of water no matter what the price is, the supplier has no more storage space and does not want to take it back because it would cost him too much to build such extra storage space (or it is impossible to build it on such short notice), then *nobody* wants the bottle of water at that time and nobody is willing to give anything for it: nobody *values* it at anything - the bottle of water has at that time *no value whatsoever*.

1.f) If instead of taking the unwanted bottle of water back with him - which would cost him 4 (see 1.d) - the supplier has the option to instead pay 3 for garbage disposal and he opts to do so, this does not make the value of the bottle negative at -3. Instead, the bottle is still valued at 0 like in 1.e, but the supplier is willing to pay - he *values* - the *service of garbage disposal* at 3 since it saves him the cost of taking the unwanted bottle of water back for storage.

1.g) If the supplier learns that A is willing to take the bottle of water with him for 1, the supplier might not be willing to pay 3 for garbage disposal any longer and instead could opt for paying A 1 to take the bottle with him. The bottle of water itself is in this case still valued at 0 like in 1.e and 1.f, it is *the service which A provides* which is now valued at 1 *by the supplier*. If this transaction between the supplier and A occurs, this would *not* mean that A values the bottle at 1: A still values it at 0 but values *the payment of 1* enough for rendering the service of taking care of the bottle of water for the supplier.

1.h) The following day the whole process could start over again (exact same location, exact same circumstances, exact same people, exact same costs), but this time around perhaps C is extremely thirsty and is willing to pay 16 for some water, A still wants to pay 10 at most like the day before, while B has developed a stomach ulcer and currently does not want any water no matter what the price is. The value of the bottle of water would now be 16 and could then again begin to fluctuate as in 1.a to 1.g.<sup>126</sup>

2.a) The location changes and the same three people - A, B and C - now are not in their air-conditioned offices but have been lost in the desert for a few hours. They are all getting pretty thirsty. A would be willing to pay 14 for a bottle of water in these circumstances, B 15 and C is so thirsty that he is willing to pay 20 for the same bottle of water. The value of a bottle of water in this situation is 20.

2.b) A camel caravan crosses their path which has one bottle of water available for sale. Because of the bartering going on, A and B hear about how C is willing to buy the bottle of water for 20 and they also learn that the closest oasis is still several hours away. A and B reassess the situation and now decide that they are willing to pay 21 and 25 respectively. C says that he does not want to pay 25 for a bottle of water and decides that he will wait a few hours until they reach the oasis. The bottle of water at this point is valued at 25, B's offer.

2.c) Instead of having been lost for a few hours they now have been lost for two full days in the blistering desert sun. A is so thirsty that he is willing to pay 100 for a bottle of water, B is even thirstier and is willing to give 200 and C thinks he is about to die if he does not get a drink soon and is willing to pay everything he has (1000) for some water. The bottle of water's value in this situation is 1000, which is what C values it at.

In all of the above situations and their different variations, the cost of the water bottle stayed the same at 10 (2 worth of resources and 8 worth of labour) throughout 1.a-h and 2.a-c. But clearly, even though the cost of the bottle did not change, sometimes the availability of water (the supply) fluctuated and consequently so did its value, while at other times the demand for water fluctuated and, again, so did its value. If we

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<sup>126</sup> Also note that the value of something and the price it is sold for are two different things entirely. If the supplier sets his price at 12 for all his available bottles of water (perhaps because he does not have the time to barter or delivers his product to various offices and has noticed that at the price of 12 his return on investment is maximized at this point in time), then even if it is valued at 15 or more by a consumer, that consumer will still be able to buy it at 12. This is called a *consumer surplus*: the consumer can buy something for less than he actually values it at. Along the same lines a *producer surplus* can exist where the producer is able to sell his product for a better price than what he would minimally want for it. Also note that in this case, as long as the supplier keeps the price at 12, even if there are no customers for the bottle of water, the value will not drop below 12 since that is what the supplier then values it at (if he valued it less he would be prepared to sell it for less), see 1.c.



were to repeat all the situations but now were to suppose that in supplying the bottle of water 1 worth of resources and 9 worth of labour (total of 10) was used, this difference in labour as compared to the first round does not change a thing to any of the mentioned situations. Even if we were to suppose that in supplying the bottle of water 1 worth of resources and 7 worth of labour (total of 8) was used, this again does not change anything whatsoever. Neither would it make any difference if the total cost in supplying was 12 due to *any* variation in the underlying combination of resources and labour. If one producer spent 10 to produce the bottle of water, and another through incompetence or any other factor inhibiting similar or better efficiency spent 15 to deliver the same product, this in itself does not mean anything to the valuations of the consumers (even though the two suppliers might value their product differently due to their own subjective motivations). Clearly then, resource and labour costs are *not* the deciding factors in a good or a service's *value*.<sup>127</sup>

Let us forget about the bottle of water for a second and imagine a leather jacket owned by Elvis at the start of his career. He himself bought the jacket for 25 when he selected it from a rack of several identical jackets in a store, but now likes it so much that even though it never leaves his closet, given his subjective situation he is not willing to sell it to anybody for less than 500. If nobody else is interested in the jacket for 500 or more (perhaps because nobody but Elvis knows of its existence in his closet), its value is 500 (as that is what Elvis himself values it at, he would not part with it for less). A few years later Elvis dies and A inherits the jacket but does not care for it and just wants to sell it for as much money as possible. A memorabilia auction is held and dozens of enthusiastic Elvis fans eagerly start outbidding each other until the jacket finally sells for 5000 to B. The value of the jacket at that moment is 5000. After a few decades of leaving it in his closet himself, B decides that he no longer wants the jacket and wants to get rid of it. The highest bidder he can find is willing to pay 3000. B is willing to settle for this and consequently sells the jacket to C for the offered 3000. The value of the jacket is at that moment 3000. A few decades pass and C dies. His long lost son D inherits all of C's property and discovers the jacket but has no idea that it used to be owned by Elvis. Since nobody remembers the route of the jacket to C's closet, the jacket now is to all living people just another random old leather jacket which nobody would pay more than 5 for. D never wears leather jackets, but - thinking that this might be a good opportunity to start wearing one - he shows it to his girlfriend to ask her opinion. She tells him to throw such an outdated piece of bad taste in the trash as she does not want it to clutter the closet and 5 is not worth the hassle of trying to sell it. The jacket ends up in the incinerator at the local garbage facility along with some dirty diapers and rotting banana peels. The amount

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<sup>127</sup> Which is not to say that they *never* play a role at all. But the role which they play is of secondary concern to the subjective perception of the human beings directly or indirectly interacting with it. The most advanced piece of technology available today, which might be valued at extremely high prices, would quite likely be entirely valueless to a caveman living thousands of years ago (or even people who were alive a few hundred years ago) aside from such things as the hardness of the material, which would have it compete in value with hard or sharp rocks or a tree to crack nuts against. In similar vein, it could be valued at close to zero a few decades in the future as well. Likewise, if two for all intents and purposes identical vases (same material, looks, quality, etc.) were made by two different producers, and one of them managed to produce it in an hour while it took the other an entire day, this does not automatically translate in a different value to the consumer for the two otherwise identical vases standing next to each other in the pottery store aisle. One hour of consulting by an expert might be valued higher than a month of consulting by an amateur; but likewise what to some people might be an expert might be valued as nothing but a charlatan to others - the value of the service in either case, independent of actual quality or amount, is entirely subjective. See what follows.

of labour or resources involved in the making of the jacket never changed, but its *value* clearly fluctuated immensely in all directions due to the subjective valuations of the people who make up the free market.

As these examples show, nothing has any *intrinsic* value: the same thing can have a different value for different people or at different places or at different times, and production *costs* (from labour or something else) do not necessarily translate into *value* to either the producer or the consumer in any way whatsoever.<sup>128</sup> Even though adding labour or different resources *often* makes people subjectively value a thing more, it can go either way (positive impact on value or a negative one) or even stay completely neutral depending on who you ask.<sup>129</sup> In short, the value of something is entirely *subjective* and is *objectively observable* only through the natural free market mechanisms of fluctuating *supply and demand* at the time of exchange.

One should at this point take a step back and try to understand what "value" actually is and means. It is not necessarily expressed in monetary form. It is more than productivity and practical usefulness. Crucially, the same free market mechanisms play in more than just the realm of physical goods or services. Any valuation towards a particular thought or action is a valuation and ranking of pro's (value) and contra's (cost) on what are essentially natural free market principles. One could quite easily call it a *free market of the mind*, where ideas vie for value.

An example to illustrate and summarize the above (and its consequences towards the resulting inability of a State to act within a market without distorting it and thereby causing inefficiency and coercively violating individual rights). A might see value in helping drug addicts (because A feels a "human connection" with them or somehow feels responsible for them, for whatever reason A comes up with; perhaps because he wants to get a bit of recognition from acting like a compassionate good Samaritan).<sup>130</sup> Because A sees value in them for whatever reason, A might be willing to pay a price for them (by for example setting up a charity to help drug addicts by trying to get them off the drugs or providing them with free sterile needles, etc.). B however feels no such inclination - a drug addict simply has no value to B whatsoever. B does not necessarily mean them any harm as such, he is impartial to them: whether they exist or not is none of B's concerns. However, if the drug addict for whatever reason was somehow a friend of B or related to him, his nephew for example, that specific drug addict might be valuable to B, which might or might not spur B to provide for the care of that person. But perhaps B's nephew robbed C to get drug money and shot C's child in the process. C therefore does not want to pay for any care towards the addicted nephew. In fact, C might even vehemently *oppose* such care on the grounds that the nephew should be punished as severely as possible for murdering C's child.

So on what basis could A make any claims - on his own accord or backed by the force of the taxing State - to either B or C when he claims that they "should" help him in providing for all drug addicts, whether B and C want to or not. Why should B or C pay for something in which neither B nor C sees value (even if A does, or even if along with A, all 6 billion other inhabitants of the world think so while B and C do not). One

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<sup>128</sup> "Whatever has value in our world now does not have value in itself. According to its nature, nature is always value-less, but has been given value at some time, as a present - and it was we who gave and bestowed it" (Nietzsche, 1882:s302).

<sup>129</sup> As the saying goes, *correlation does not imply causation*.

<sup>130</sup> Also see slave morality in the previous Chapter.

can replace the "drug addict" in this example with anything at all to see how absurd A's claims really are.

For example: say that A really wants to have - he *values* - an orange paint job for his car. B does not know A and has no interest one way or another in the colour of A's car (perhaps B does not even like orange and prefers blue for some reason). A comes up to B and slips him the bill from the company that spray painted A's car orange. What is B's reaction going to be? The orange paint job has a lot of value to A, but it has none to B. Where, then, would A get the right to have B pay for something which A values, yet B attaches no value to and possibly even opposes. And where would the State consequently get the moral justification to force B to pay for A's highly valued wishes against B's will. There is no reason why B or C should - even "partly", by whichever standard - *involuntarily* pay the price for something which A values but which they themselves do not.

A sees his concerns of providing help for drug addicts or painting cars orange to avoid car crashes as public goods; claiming that clearly some number of people benefit from them, but fearing that the market would not "sufficiently" - *according to A* - provide for all who *need* it. A therefore turns to the State, presenting his case for the *need* which *he* sees for the provision of such public goods. As a result, the legitimacy to take from B and C whatever is needed for the provision thereof at gunpoint is supposedly granted to the State who can now forcefully start to tax B and C - i.e. coercively expropriate funds from them against their will - in the name of the greater good in general and the provision of public goods specifically. But there is no reason why A's concerns - and the State's consequent aggression - constitutes a morally legitimate claim on B or C who might have their own concerns diametrically opposed to it. Perhaps B only wants to help his nephew and not others, and perhaps because B is forced to pay even for drug addicts he does not care about, he has no resources left to take care of his nephew as well as he wants to. Neither is there a reason why *the lack of moral legitimacy* to rob B and C's resources in order to contribute to what A values but they do not would suddenly transmute into *moral legitimacy*, simply because the State - whether it is backed by a majority or not - was involved.

The State is "nothing but men acting in concert". The grounds for justification of State action can only be "the same principles which differentiate the proper from the improper actions of the individual. [...] Despite the lofty pretensions of most governments, the fact remains that they, like any other group of men, are nothing more than a collection of *individuals*. The 'rights of a government', like the rights of any other association of men, can be morally no different than the rights of the men who comprise it. All that which is immoral for men acting individually is equally immoral for men acting in association. There is nothing a government *can* morally do, which individuals by themselves *cannot* morally do. *The group is ethically no different from the individual*. It is irrelevant whether a man steals by his own authority or with the sanction of a million others, whether he takes money for himself or for 'the poor' or for any other group which did not earn it. Theft consists of taking a man's property against his will, regardless of the beneficiary. If the individual has an inalienable right to his own life, liberty, and property, then morally his life and property are his own to do with as he pleases. It is just as immoral for a government to attempt to tax A's earnings, regulate his business, or draft his sons [to go to war] as it would be for some isolated individual acting on his own authority to do so. The association of men into a group called 'government' does not free them from morality

or sanction actions otherwise immoral," and neither does the size of such a group or its support (Wollenstein, 1969:Ch.2).

Clearly, democracy brings no avail: the fact that a majority agrees with a State's actions changes nothing at all for the minority which does not. Democracy supposes that a majority vote transforms the State into "we, the people". But if "we" are the State, "then anything which a government does to an individual is not only just and untyrannical, but also 'voluntary' on the part of the individuals concerned. If the government has incurred a huge public debt which must be paid by taxing one group for the benefit of another, this reality of burden is obscured by saying that 'we owe it to ourselves'. If the government conscripts a man, or throws him into jail because of a dissident opinion, then he is 'doing it to himself' and, therefore, nothing untoward has occurred. Under this reasoning, any Jews murdered by the Nazi government were *not* murdered; instead, they must have 'committed suicide', since they *were* the government (which was democratically chosen), ergo anything the government did to them was voluntary on their part" (Rothbard, 1974:Ch.3). One would not think it necessary to point out the utter insanity of this type of reasoning, and yet most people do not question this fallacy as they see no crimes being committed through taxation and other infringements on self-ownership, property and liberty by the State on a daily basis. Even *if* the State *did* truthfully represent the majority - "even if seventy percent of the people decided to murder the remaining thirty percent - this would still be *murder* and would not be *voluntary suicide* on the part of the slaughtered minority. No organicist metaphor, no irrelevant bromide that 'we are all part of one another' can be permitted to obscure this basic fact" (Rothbard, 1974:Ch.3, emphasis added). "We" are *not* the State; the State is *not* "us".

Now, it is important to note that whatever the State spends, "it must first take, wherefore somebody has less to spend in proportion as the government has more. Furthermore, government debt can represent only *postponed taxation* because the borrowing must sometime be repaid, and it can be repaid only out of revenues from taxation" (Garrett, 2010, emphasis added).<sup>131</sup> All State expenditures necessarily "come out of the private sector. [Even] if we assume all government expenditure to be honest and virtuous in nature,<sup>132</sup> it still remains true that in order to make this expenditure, the State must infringe on *private property rights* by taxation in order to pay for the spending. We can thus establish that, at its best, government spending is analogous to taking money from one pocket and putting it in the other. But taxation also discourages entrepreneurship and investment. In economic terms, *it necessarily decreases the foreseen marginal utility of any individual action*. So, in reality, State expenditure leads to a net loss in wealth in the private sector. Private companies judge the viability of an investment through profit and loss. Profits signal that a company is doing well on the market, while losses suggest that the company's products are not desired". But the State due to its coercive nature "does not respond to profit and loss. A government can always increase revenue by raising taxes, and so it feels no need to remain profitable" (Catalan, 2010, emphasis added). On the free market, a company cannot get people to pay more for a product than they value it. "If the asking price is too high, they simply say 'no'. But there is no similar limitation on the government, which pays for things by levying taxes. And taxes are *coercive* - one

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<sup>131</sup> Also note that, curiously, the brave defenders of equality rarely have a problem with progressive taxation which violates their supposed equality from the start while they aggressively oppose any talk of a flat tax which would at least be vaguely true to their egalitarian murmuring.

<sup>132</sup> Quite a leap of faith indeed.

cannot refuse to pay taxes just because the government is paying more for something than you value them" (Lott, 2007:88, emphasis added). However, by contrast, one is *not* forced to buy and pay for a McDonald's hamburger when one does not one, wants to buy one at Burger King instead or is perhaps even a vegan who is opposed to the slaughtering of animals. But one is *forced* to pay for the State's "social security", even when one does not want it, wants to buy it from a different supplier or perhaps even opposes it.

But the State is an organization in society "which attempts to maintain a monopoly of the use of force and violence in a given territorial area. [...] While other individuals or institutions obtain their income by production of goods and services and by the peaceful and voluntary sale of these goods and services to others, the State obtains its revenue by the use of *compulsion*; that is, by the use and the threat of the jailhouse and the bayonet" (Schumpeter, 1942:198, emphasis added). The fact that it is claimed - and to various extents no doubt true - that the State uses the resources which it confiscated through taxes to give back certain governmental services, does nothing to change the fact that the very moment taxation *has* to be paid *involuntary* - i.e. under threat of further confiscation of property and the use of force - only one conclusion is possible: *taxation is theft*.

There is no ambiguity about this matter: "in *trade*, exchange is conducted by the *mutual consent* of the individuals who wish to participate in it, according to *their own terms*. In *taxation*, services may be rendered according to *the government's [unilateral] decrees*, while the individual's property in this case is taken with or *without* his consent" (Wollenstein, 1969:Ch.2, emphasis added). Whether this robbery is backed by a majority or not changes nothing about the position of the circumstantial minority who is in disagreement and does not voluntarily wish to pay for services they do not want, oppose or would rather get somewhere else.

Higher absolute numbers or a higher total biomass does not constitute a legitimate hold on morality or a determining factor of good and evil in any possible way whatsoever, no matter what proponents of democracy claim and no matter how convinced they are of it.<sup>133</sup> If it were so, it would be up to the ants to decide what is permissible and what is not.<sup>134</sup> It is obvious but apparently all too often forgotten that "the smallest minority on earth is the individual. Those who deny individual rights cannot claim to be defenders of minorities" (Rand, 1967:61). If a person is not morally allowed to murder an innocent other; then neither is the State. If a person is not allowed to rob from another, then neither is the State. Giving a different name to the same action (war and taxation as opposed to murder and theft) changes nothing.

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<sup>133</sup> See also the previous Chapter on democracy.

<sup>134</sup> "On average, ants monopolize 15-20% of the terrestrial animal biomass" (Schultz, 2000:1). Total number of ants is estimated at around  $10^{16}$  to  $10^{17}$  (Embery, 1983). For comparison, there are currently close to  $7 \times 10^9$  humans alive (UNS, 2009). It is not a coincidence that the populations of collectivist societies are often compared to ants, but as G. Ramel eloquently put in his 2007 sonnet, men as intelligent beings are not destined to live the lives of ants: "Who can believe the ants, they work so hard, they build good homes, tend herds and fill their stores, they grow their gardens and they fight their wars; some labour long, some rule while some stand guard. They take no care for God, live as they must, and we are so like them I hear men say. They are poor men who live in such a way, taking no time to challenge what they trust. What then of hearts and minds, what then of brains? What then of beauty, art and searching thought? Is all that is not labour judged as nought? And what of love and all that love explains? An ant learns well but questions not one task, a man learns more the more he learns to ask".



When scrutinizing any form of State action, there can be no mistake about the fact that the State is a collection of men, not some supernatural deity that can turn a wrong into a right. The State's purported authority to act "is in no way greater or different than the authority to act of individuals in isolation. [...] Government has no magic powers or authority not possessed by private individuals. Let he who asserts that government may do that which the individual may not assume the onus of proof and demonstrate his contention" (Wollenstein, 2010).

But let us demonstrate the above through a more practical example. Suppose that you are standing next to your car and somebody who you have never seen before walks up to you. The man demands that you give him your car. You refuse, but then he threatens to use force and consequently takes your car from you at gunpoint. When asked whether the man was right or wrong in doing so, I hope it is not too bold to presume that most people would say that the man who does this is a thief who is violating both your property rights and your physical integrity. "Okay, now let us suppose that it is not one man but a gang of *five* men who forcibly take your car from you. Still wrong? Still stealing? Yes. Now suppose that it is *ten* men that stop you at gunpoint, and before anything else they take a vote. You vote *against* them taking your car, but the ten of them vote in favour of taking it and you are outvoted, ten to one. They take the car. Still stealing? Let's add *specialization of labour*. Suppose that it is now not one, five or ten but instead *twenty* men who show up, and one of them acts as a negotiator for the group, one oversees the vote, two hold the guns, one drives" and the others just stand by and are not directly involved in the proceedings but vote along with the others, making it twenty to one in favour of taking your car. Does that make it okay? Is it still stealing? What if some in the gang for whatever reason also voted against taking your car and the vote was not twenty to one but sixteen to five in favour of confiscating your car? Suppose it is a *hundred* men and that after voting and *forcibly* taking your car they give you back a bicycle. That is, they provide *something* in return. Is it still stealing? Suppose the gang is *two hundred* strong and they not only give you back a bicycle but they 'redistribute' what they took at gunpoint and buy several bicycles for some other people as well. Is it still wrong? What if the first thief did this on his own?<sup>135</sup> Is it still stealing? How about if the gang has a thousand people? Ten thousand? A million? How big does this gang have to be before it becomes morally right for them to vote to *forcibly* take your property away *without your consent*? When, exactly, does the immorality of theft become the alleged morality of taxation?"<sup>136</sup>

This quickly proves to be a question that is hard to answer for even the most adamant democrats. The reason for this is that there simply is no answer to it. The immorality of an action does not change because of the number of people participating in it: murder remains murder, genocide remains genocide and robbery remains robbery. Voting on what to do with other people's property against their wish is an action which is absurd to a degree equalled only by its utter irrelevance. A and B do not own C's wallet; what *they* think should be done with it or its contents is completely irrelevant, no matter how much they vote on it. It is not their property and therefore

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<sup>135</sup> Remember Robin Hood, a legendary thief from popular English folklore. He is famously known for "robbing from the rich and giving to the poor" (Chandler, 2006:Ch.1), a criminal and violent act of which the supposed heroism has throughout the centuries been instilled into the easily corrupted minds of millions of adults and children alike.

<sup>136</sup> This is a formulation of the how many men argument as presented in (Raphael, 1998:7) which I thoroughly rephrased and restructured for continuity.

they are not the ones who are to decide what happens to it. If A and B walk up to C and tell C that the three of them will take a vote on whether C has to give A and B his wallet, this is no less absurd or immoral than it is when the same thing happens on any other scale, under any other name or hidden behind any other sort of legal structure. It is a peculiar sight to see that "a robber who justified his theft by saying that he really helped his victims, by his spending giving a boost to retail trade, would find few converts; but when this theory is clothed in Keynesian<sup>137</sup> equations and impressive references to the 'multiplier effect', it supposedly carries more conviction. [...] But the average man, whatever his errors otherwise, at least sees clearly that government is something lying outside him and outside the generality of his fellow men, that it is a separate, independent, and hostile power, only partly under his control, and capable of doing him great harm. Is it a fact of no significance that robbing the government is everywhere regarded as a crime of less magnitude than robbing an individual, or even a corporation? What lies behind all this [...] is a deep sense of the fundamental antagonism between the State and the people it governs.<sup>138</sup> It is apprehended, not as a committee of citizens chosen to carry on the communal business of the whole population, but as a separate and autonomous corporation, mainly devoted to exploiting the population for the benefit of its own members" (Rothbard, 1974). When a private citizen is robbed, "a worthy man is deprived of the fruits of his industry and thrift; when the government is robbed, the worst that happens is that certain rogues and loafers have less money to play with than they had before. The notion that they have *earned* that money is never entertained; to most sensible men it would seem ludicrous" (Mencken, 1949:146, emphasis added).

Yet, aside from the moral crime inherent to State coercion of innocent and unwilling individuals, there is a serious economic hiatus in the utilitarian justification of State aggression under the guise of taxes. Taxation means that the confiscated money<sup>139</sup> is withheld from being applied to private alternative uses in order to finance the supposedly desirable public goods: the individuals whose resources were confiscated by the State can no longer use them as they themselves would have liked to.

Consequently, "the only relevant and appropriate question is whether or not these alternative uses to which the money could be put (that is, the *private goods* which could have been acquired but now cannot be bought because the money is being spent on *public goods* instead) are more valuable - more urgent - than the *public goods*. And the answer to this question is perfectly clear. In terms of consumer evaluations, however high its absolute level might be, the *value* of the *public goods* is relatively lower than that of the competing *private goods*, because if one had left the choice to the consumers (and had not *forced* one alternative upon them), they evidently would have preferred spending their money differently (*otherwise no force would have been necessary*). This proves beyond any doubt that the resources used for the provision of public goods are partially or entirely *wasted* because they provide consumers with goods or services that at best are only of secondary importance. In short, even if one assumed that *public goods* can be distinguished clearly from *private goods* and such a dichotomy exists, and even if it were granted that a given

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<sup>137</sup> John Maynard Keynes was a famous British economist who advocated interventionist economic policy (Keynes, 1936) and whose theories are still widely preached and used today in spite of their malicious consequences (the financial crisis of 2007 being only one of them). Also see (Raico, 2008).

<sup>138</sup> Also see (Freud, 1930).

<sup>139</sup> Taxes can take the form of any type of resources, be it money (as is most common today), grain, gold or something else.

public good might be useful, public goods would still compete with private goods. And there is only one method for finding out whether or not they are more urgently desired and to what extent, or *mutatis mutandis*, if, and to what extent, their production would take place at the expense of the nonproduction or reduced production of more urgently needed private goods: by having *everything* provided by freely competing private enterprises. Hence, contrary to the conclusion arrived at by the public goods theorists, logic forces one to accept the result that *only a pure free market system can safeguard rationality*. No less than a semantic revolution of truly Orwellian dimensions would be required to come up with a different result. Only if one were willing to interpret someone's 'no' as really meaning 'yes', the 'non-buying of something' as meaning that it is really 'preferred over that which the non-buying person does instead of non-buying', of 'force' really meaning 'freedom', of 'non-contracting' really meaning 'making a contract' and so on, could the public goods theorists' point" make any sense whatsoever (Hoppe, 1949b:32, emphasis added).<sup>140</sup>

What is more, the misguided notion that there is a so-called *market failure* whenever there *subjectively* appears to be a nonproduction or a quantitatively or qualitatively "deficient" production of public goods "completely misconceives the way in which economic science asserts that free market action is ever optimal. It is optimal, not from the standpoint of the [*subjective*] personal ethical views of an economist," or any other observer, "but from the [*objective*] standpoint of free, voluntary actions of all participants and in satisfying the freely expressed needs of the consumers" within the factual bounds that natural and amoral scarcity draws. State interference, therefore, "will necessarily and always move away from such an optimum" (Rothbard, 1962:887). Indeed, the arguments *supposedly* proving the occurrence of market failures "are nothing short of patently absurd. Stripped of their disguise of technical jargon all they prove is this: a market is not perfect, as it is characterized by the nonaggression principle imposed on conditions marked by *scarcity*," which by its very definition makes it impossible for each and every whim and desire to be satisfied, by which it follows that "certain goods or services that could only be produced and provided if aggression were allowed will not be produced. True enough. But no market theorist would ever deny this. Yet, this is decisive, this 'imperfection' of the market can be defended, morally as well as economically" due to scarcity simply meaning that reality has no capacity for Utopia,<sup>141</sup> "whereas the supposed 'perfections' of markets propagated by the public goods theorists cannot" be defended

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<sup>140</sup> Some claim that the State is legitimized through the existence "of a 'constitutional contract' in which everyone 'conceptually agrees' to submit to the coercive powers of government with the understanding that everyone else is subject to it too (Buchanan et al., 1958). Hence government is [supposedly] only *seemingly* coercive but *really* voluntary. There are several evident objections to this curious argument. First, there is no empirical evidence whatsoever for the contention that any constitution has ever voluntarily been accepted by everyone concerned. Worse, the very idea of all people voluntarily coercing themselves is simply inconceivable, much the same way as it is inconceivable to deny the law of contradiction. For if the voluntarily accepted coercion is *voluntary*, then it would have to be possible to revoke one's subjection to the constitution, and the State would be no more than a voluntarily joined club. If, however, one does not have the 'right to ignore the State' - and that one does not have is right, is, of course, the characteristic mark of a State as compared to a club - then it would be logically admissible to claim that one's acceptance of State coercion is voluntary. Furthermore, even if all this were possible, the constitutional contract could still not claim to bind anyone except the original signers of the constitution". (Hoppe, 1948b:44). See the concept of Newspeak as mentioned in earlier footnotes.

<sup>141</sup> Which all collectivistic ideologies promise in spite of scarcity anyway if one only signs over his or her soul to the great reformer and forces others to do the same. Let the parable of Goethe's Faust (Goethe, 1832) be a warning to anybody on the verge of falling for it.

in any way whatsoever because of the involuntary coercion that only shallowly hides beneath the surface of their interventionist policies (Hoppe, 1949b:33).

When examining the validity of Statist and interventionist arguments, a lot of trouble could have been avoided if all the self-proclaimed policy makers who throughout modern history have based themselves on the gospel of Keynes<sup>142</sup> would have let this gem of economic reasoning on which his interventionism is based sink in: "the important thing for government is not to do things which individuals are doing already and to do them a little better or a little worse: *but to do those things which are not done at all*" (Keynes, 1926, emphasis added). The illogical absurdity of this kind of reasoning and the unfounded arrogance of feeling entitled to enforce such subjectivity on others cannot be overstated.

## 5.2 Shooting the Messenger

Of course, nobody would deny that "it is true enough [...] that a termination of the State's current practice of providing public goods would imply some change in the existing social structure and the distribution of wealth. [...] However, this fact cannot be accepted as a valid argument demonstrating the supposed failure of markets. If a man has been allowed to hit other people on the head and is now not permitted to continue with this practice, he is certainly hurt" in terms of not having the same amount of options as before, but no one would "accept *that* as a valid excuse for upholding the old (hitting) rules". He is "harmed" by not being allowed to hit others any longer in the same way as some people would be harmed by substituting a collectivistic system in which every voter supposedly has "an equal right to determine in what respect other consumers are not allowed to buy voluntarily what they want with the means justly acquired by them and at their disposal" by a capitalist system in which nobody is morally allowed to initiate robbery and aggression against others, either individually or while hiding behind a State and the collective to do the dirty work for them. In spite of all the propaganda from the public goods theorists, "the greater efficiency of markets as compared with the State is increasingly realized with respect to more and more of the alleged public goods" (Hoppe, 1949b:33). This is evidenced a million times a day, wherever one looks, be it past or present.<sup>143</sup>

The *invisible hand* - the self-regulating and self-ordering nature of the marketplace - becomes visible to anybody who cares to look. In a free market, when a perceived product shortage occurs, the price of that product automatically - *naturally* - rises, creating a profit margin that in turn creates an *incentive* - a self-interested reason and motivation - for investors and entrepreneurs to enter production, eventually curing the shortage. When prices drop below a profit<sup>144</sup>, producers drop out of the market; if there is a profit to be made, producers enter the market. When more producers enter the market, the increased competition among manufacturers and increased supply lowers the price of the product. If demand rises, prices rise along and so do the incentives for producers to alleviate the increased demand, and vice

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<sup>142</sup> I will come back to Keynes later.

<sup>143</sup> Especially in cases like the 2007 financial crisis, the power of the market and the unavoidable failure of ignorantly wishing away the consequences of socialist policies and State interventionism becomes all the more apparent (also see the last footnote of my thesis in this regard).

<sup>144</sup> Note that a profit is seen in light of more than revenue minus direct costs. Opportunity costs and subjective valuations play an equally important role.

versa. This cycle never stops, it goes on *continually*, over and over through its own natural positive and negative feedback loops as provided by consumer preference and producer investment. There is no lasting price to anything: the market is a constant flux of supply and demand, hinging on humanity's subjective valuations toward each existing good separately and combined.<sup>145</sup> The concept of value and consequently of *price* in its natural creation of order within chaos is a wonderful thing, simple in its intricate complexity. It is *Human Action* (von Mises, 1949) which forms prices on the market, according to the inherent principles of (human) nature: "it is not from the benevolence of the butcher, the brewer or the baker, that we expect our dinner, but from their regard to *their own self interest*. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages" (Smith, 1767:1.2.2).<sup>146</sup>

Did John Pemberton selflessly found Coca Cola to provide for "the greater good", or for his own self-interest? Yet undeniably, he "has made *the consumer* wealthier, because its products were cheaper and of far greater quality than those of its predecessors. The right to private property is the keystone. An entrepreneur will make an investment only if he believes there is a fair chance of reaping the rewards of his efforts. A loss in property rights will be met by a loss in entrepreneurship, because the *incentive* to invest is removed. Alternatively, full property rights will allow entrepreneurship to flourish to its furthest extent" (Catalan, 2010). But the way in which the market - the network of supply and demand - naturally fine-tunes itself without any need for intervention whatsoever is something which is for some beyond understanding in much the same way that many laymen and eminent scientists alike used to profess that it could only be possible for the sun to revolve around the earth.

Even so, they have no problem in tinkering with the economy. But meddling with the market is like throwing stones at a gymnast walking a high line: the natural balancing that occurs now gets distorted by external force and grace gets substituted by flailing arms in order to try and regain some balance. Inevitably, as socialism has proven time and time again, at some point even the best gymnast will fall off the line if pushed hard enough, making it anyone's guess as to when he will be back on top of it.

Focusing so intensely on theory - and *only* on theory, State-funded "economists too often take on the role of central planners. They identify the 'right' prices that companies *should* charge and the 'right' policies they *should* adopt, without considering why market incentives have not encouraged firms to take these measures on their own" (Lott, 2007: 13, emphasis added). But "a government that sets out to abolish market prices is inevitably driven toward the abolition of private property; it has to recognize that there is no middle way between the system of private property in the means of production combined with free contract, and the system of common ownership of the means of production, or socialism. It is gradually forced toward compulsory production, universal obligation to labor, rationing of consumption, and, finally, official regulation of the whole of production and consumption" (von Mises, 1912:281). Attempts by the State to correct *subjective* market failure<sup>147</sup> unflinchingly merely substitute it for *objective* "government failure" (Friedman, 1979:214).

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<sup>145</sup> See the example of the water bottle above.

<sup>146</sup> See "will to power" in the previous Chapter.

<sup>147</sup> *Objective* market failure is simply a contradiction. Even when an economy crashes, the market does not "fail" in any objective sense: it is still constantly updating itself and doing its work. As with beauty, failure in this regard is in the eye of the beholder and entirely subjective.



It should be clear that the central point here is that *incentives* are what drive people. Incentives and their interactions and relative valuations are what the market is all about, and in trying to put counterfeit incentives in place of the naturally arising ones in order to go against the market, all one can do is hope nobody gets killed, both figuratively and literally speaking.

But such *perverse incentives* are what States are best at. If there is a meaningful reward for some type of behaviour,<sup>148</sup> people will do it, even when they supposedly "should not" according to the paternalistic meddling of the coercive central planners who set out to unilaterally dictate and "improve" human behaviour.

Examples abound. A classic case, eerily reminiscent of the fictional novel *Catch-22*,<sup>149</sup> is the study of a specific type of fraud by air traffic controllers (Staten et al., 1982). "To receive disability benefits due to job-related stress, air traffic controllers must present a well-documented stressful incident - a collision or close call - that has caused a deterioration in their performance. Unsurprisingly, when it became easier to file for disability, flights suddenly started experiencing more 'close calls'. And these were not cases that the air traffic controllers could simply make up; they were reported by a sophisticated performance evaluation called the Operation Error Severity Index" (Bailey et al., 2005) (Lott, 2007:112). In short, in "proving" their supposed disability, they were actually proving that they could create close calls and *still* not have accidents ensue, *because they were not actually disabled at all*.

In similar fashion, during 2009 the South African government started giving medical grants (1000 South African Rand per month) - paid for with forcibly expropriated taxpayer money - to patients with tuberculosis when they came in for treatment. The result was a widespread scam and a vibrant trade in TB-infected saliva. "A 54-year-old [infected] man told a reporter that he makes an average of R500 per month from selling his saliva to people seeking to trick their way into the benefits system. But he said business was 'not good' because so many people were infected with TB in the township that he had a lot of competition" (Smith, 2009). Not only was the State wasting the monetary subsidies, in many cases they were wasting expensive taxpayer-paid medicine on uninfected "patients" on top of it.

Speaking of which, it at first glance appears that in Sweden, the welfare State *itself* mysteriously causes people to get sick: "Swedes are among the healthiest people in the world according to the World Health Organization. And yet, 13% of working-age Swedes live on some type of disability benefit - the highest proportion on the globe.<sup>150</sup> To explain this, many Swedish policy makers, doctors and economists blame the welfare system. [...] Sweden's bloated sick bay, which includes roughly 744,000 people on extended leave, has caused soul-searching about whether the system coddles Swedes and encourages them to feel sick. [...] During the 2002 month long

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<sup>148</sup> Such a reward might also consist of avoiding a certain cost.

<sup>149</sup> "There was only one catch and that was *Catch-22*, which specified that a concern for one's safety in the face of dangers that were real and immediate was the process of a rational mind. Orr was crazy and could be grounded. All he had to do was ask; and as soon as he did, he would no longer be crazy and would have to fly more missions. Orr would be crazy to fly more missions and sane if he did not, but if he was sane he had to fly them. If he flew them he was crazy and didn't have to; but if he did not want to he was sane and had to. Yossarian was moved very deeply by the absolute simplicity of this clause of *Catch-22* and let out a respectful whistle" (Heller, 1961:55).

<sup>150</sup> For more on this, also see (Bergstrom, 2010).

World Cup soccer finals, short-term sick leave among Swedish men suspiciously rose by 55%. Earlier, police in Sweden's capital city Stockholm investigated the local chapter of the Hell's Angels biker gang for suspected benefit fraud, because 70% of the gang were on extended sickness benefits. The same doctor had certified them all as suffering from depression". But the Swedes are not alone: "in Europe, roughly 20% of the working-age population - 60 million people - depend on various government benefits as their sole or main income, compared with 13% in the US. [...] the welfare State has changed the region over the past generation. In place of the old work ethic, it seems that it has become acceptable to feel unable to work and to live on benefits" (Mitchell, 2007).

In the above examples one can try and excuse policy makers for "at least having good intentions", in spite of the disastrous actual results of their actions. But other cases present themselves as well.

In 2004, the Nigerian government offered amnesty to militant rebels. In order to diffuse the tensions, or so it was claimed, the federal and local governments used taxpayer money and foreign aid (which of course de facto also included coercively collected *foreign* taxpayer money) "to pay militants \$2,800 for each surrendered weapon, regardless of quality or condition. At the time, a relatively new AK-47 cost about \$350 [in Nigeria]. Selling your old weapon for enough cash to buy eight new ones makes good economic (and military) sense", and that is exactly what people did. But "the pricing equation was no accident. Several local governors wanted to buy a little near-term peace and quiet in the run-up to the 2007 elections" on the backs of domestic and foreign taxpayers. "Once the votes were cast, some of these governors then cut deals with the most influential and cash-rich of the militant groups to use them for political purposes of their own" (Horner, 2009).<sup>151</sup>

As with anything, and prices in particular - whenever the State meddles with it, natural free market order is destroyed and artificially enforced chaos ensues. What permeates throughout the entirety of the socialist economic critique of capitalism "is their failure to grasp the sovereignty of the consumers in the market economy. They see only hierarchical organization of the various enterprises and plans, and are at a loss to realize that the profit system forces business to serve the consumers. If any of the socialist chiefs had tried to earn his living by selling hot dogs, he would have learned something about the sovereignty of the consumers" (von Mises, 1958).

It is clear that "central planning has its appeal. After all, it is hard for many people to comprehend how the *seeming* chaos of markets, with millions of separate decision makers," and billions upon billions of freely interacting variables "can somehow translate into economic efficiency". The key is that market mechanisms "allow firms to set prices that accurately reflect all their costs and their customers' preferences. Analysts and politicians can study trends for years without being able to account for all the factors that go into a single price. Planning accurate prices is impossible, and when the State gets them wrong, the results are shortages [and] other harmful market distortions. Simply put, freedom ensures that people get what they want. [...] Prices create incentives for people to meet the needs of others."<sup>152</sup> Despite all the

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<sup>151</sup> In any such conflict or war, the blood of the resulting casualties is ultimately on the hands of those who funded the States that participated in them - i.e. the (foreign) taxpayers.

<sup>152</sup> Private property of the material factors of production "is not a restriction of the freedom of all other people to choose what suits them best. It is, on the contrary, the means that assigns to the common

various guises under which central planning has been attempted, it is no surprise that free economies work best" (Lott, 2007:12, emphasis added) and non-free economies fail miserably; the speed of their failure being dependent only on the extent of the restrictions, but inevitable in the long run (Heckelman, 2000:71). It is similarly clear that in a democracy, "those who provide little of the government's income have more of a say - in the form of their combined votes - over how to *spend* State funds than those who *provide* most of the money. [...] Those who actually pay for most government services are not the ones who determine how the money is spent" (Lott, 2007:87).<sup>153</sup> This enormous perverse incentive and moral hazard helps to explain why States as a general rule are as inefficient as they are (Kalt, 1981:565). Simply put: no matter how much reality is wished out of existence by laws and regulations that try to harness market forces, such legislation is as useful as it would be when declaring gravity to be illegal because it makes it hard for pigs to fly.

The mechanics of nature do not care about (democratic) dictators or majority votes.

Keeping all of the above in mind, one would think that the entirety of recorded human history would suffice to settle any debate about the viability of socialism. Alas, even to this day it does not.<sup>154</sup>

A point in case in this regard is to be found in the agricultural reforms in Zimbabwe as implemented by (democratically elected and instated) President Robert Mugabe and his supporters. "In 2000, in an attempt to destroy the opposition which derived much support from the commercial farmers and their employees, the government began what it eventually called the Fast Track Land Reform" and started to negate landownership by expropriating private property farms and then "redistributing" them among "the people". The land reform "ignored the prevailing legal situation with respect to farm ownership. [...] The government changed the law every time a farmer or a group of farmers secured legal judgments in their favour. Eventually a group of Zimbabwean farmers took their case to the Southern African Development Community's (SADC) Legal Tribunal in Windhoek, Namibia. In 2008, those farmers obtained a decision instructing the government of Zimbabwe to protect the farmers' legal rights. The government, in spite of being a signatory to the treaty creating the SADC Legal Tribunal, ignored the ruling. [...] The attitude of the members of the Zimbabwean regime toward the farm acquisitions was straightforward - they were taking the farms from their legitimate owners. *No police protection was afforded to the farmers or their staff, and no interference with expropriation was permitted.* In the majority of cases, force was used - [by the State police and] by groups of young, politically motivated thugs. Those thugs acted on behalf of the future 'beneficiaries' of farm expropriations - mostly members of President Mugabe's ZANU-PF party. Once the owners and their senior staff had been evicted, the new 'owners' occupied the land and took advantage of the assets, including crops and livestock. [...] Many farmers lost their lives as a result of these expropriations" (Cross, 2009, emphasis added).

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man, in his capacity as a buyer, supremacy in all economic affairs. It is the means to stimulate a nation's most enterprising men to exert themselves to the best of their abilities in the service of all of the people, on a voluntary and completely rational, non-emotional and non-conflicting basis of self-interest" (von Mises, 1958).

<sup>153</sup> For example, in the US, "the share of the tax burden borne by the top 1% now exceeds the share paid by the bottom 95% of taxpayers combined" (Hodge, 2009). See also (PA, 2008).

<sup>154</sup> More on this in the final Chapter of this thesis.

The aftermath of this denial of private property and flat out State-enforced thievery had the only result it could have had - the same result it has had in the Soviet Union, Communist China and every other collectivist mirage before and since it: it destroyed everything it touched. According to the Commercial Farmers Union (CFU), "the total output of the agricultural industry in Zimbabwe in 2000 was 4.3 million tons of agricultural products, worth, at today's prices, some US\$ 3.347 billion. This output has declined to just over 1.3 million tons of products in 2009, worth some US\$ 1 billion - a decline of 69 percent in volume and a decline of 70 percent in value. [...] In spite of those stunning figures, the farm invasions have continued with 480 new incidents of violence against farmers recorded since the power sharing agreement between Mugabe's ZANU-PF and the Movement for Democratic Change was signed in September 2008. According to the CFU, even those farms that were granted legal protection by the SADC Tribunal were targeted - presumably as a punitive measure. [...] It is clear that the land reform has been a costly failure. In 2008, according to CFU estimates, over 90 percent of all production from commercial farms came from the remaining large scale farmers - the same farmers who are now being targeted for the next round of expropriations. [...] More than half of all the farms taken over by the State are now derelict and abandoned. Many of the individuals who are now 'taking' farms are doing so for the third or fourth time. The combined costs of the land reform are staggering - they include US\$ 2.8 billion in international food aid on an emergency basis and nearly US\$ 12 billion in lost agricultural production", totalling some US\$ 15 billion along the most cautious estimates (Cross, 2009).<sup>155</sup>

Moving away from Africa, we can see the same story unfolding in South American Venezuela where, since 2003, democratically elected President Chavez - in a superb demonstration of his immensely popular and much lauded "21st century socialism" - put a maximum price on milk, rice, wheat, meat, other such food items and other so-called "crucial products" like cement. The Venezuelan State, aside from the price restrictions, also imposed tailor-made regulations which forced "producers to devote at least 70% of their production to price-regulated products [...]. This intervention was aimed at keeping companies from finding ways around the price controls, for example by switching to value-added variations of goods such as low-fat milk or flavoured rice, which were not covered by the controls. For example, for Venezuelan rice producers this means that 90% of their production must be price-controlled white rice" (Gallegos, 2009). Because of these price controls and accompanying regulations - which were applauded by most Venezuelans who were certain that *they* would not be the ones who had to pay the price for it, as *they* would be the ones getting stuff at cheaper prices instead of the ones having to produce it for less profit - Chavez and his supporters seemed certain that Utopia was just around the corner.

The actual result, in line with every single historic example before it (Bartlett, 2010), was nothing less than massive food shortages and in many cases only the deplored *black market* - the manifestation of the invisible hand and the futility of regulating a market - standing between Venezuelans and starvation (Morsbach, 2006). The price regulations, in being set by the State, were detached from the objective *reality* of the market and left farmers without a profit, forcing many into bankruptcy. Instead of magically conjuring up food ex nihilo, the price controls dragged down the previously thriving Venezuelan agriculture, the basis of the Venezuelan non-oil economy. Food

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<sup>155</sup> For a follow up on how this ended up in a truly spectacular hyperinflation-fuelled economic bust for Zimbabwe, see (Hanke, 2009).

supply dwindled and shortages became rampant to the point that "milk has all but vanished from shops. Distraught mothers ask how they are supposed to feed their infants, many cafés and restaurants serve only black coffee, [...] eggs and sugar are a memory" and the State had to start using its short term nationalized oil dollars to actually *import* powdered milk from Russia and China because of the mysteriously crashed domestic agricultural sector (Carroll, 2007). Amidst rampant inflation brought on by all kinds of governments programs, the Venezuelan State tried to cure its poisoned economy by making it drink arsenic as it repeatedly and increasingly tightened its control over the Venezuelan food supply as it slid further down the drain (McDermott, 2009). Facing publicly stated threats of "nationalization" - following other branches of Venezuelan industry like the petrochemical sector - milk plants owned by the corporations Parmalat and Nestlé became endangered, other food companies halted or reduced their Venezuelan operations and individual farmers who sold milk abroad or on the so-called black market (Sanchez, 2008) for *real* market prices were threatened with similar expropriation of their farms (AP, 2008).

By that time, identical situations were developing in the Venezuelan construction industry. Around April 2008, Chavez ordered the nationalization of the cement industry, in response to the fact that - as was happening with agriculture - the industry was exporting its products in order to receive *realistic* prices above those which it was allowed to obtain within the country, creating domestic shortages and yet another Venezuelan industry on the verge of total collapse (AP, 2008A). On the 28th of February 2009, Chavez ordered the Venezuelan military to "temporarily seize control" of all the rice processing plants in the country in order to *force* them to produce at full capacity, which he himself alleged they had been avoiding in response to the price caps - which would have them produce at a loss - and because of which, instead of getting his head out of the sand, he concluded the inevitability, *need* and thereby the supposed justification of "the immediate intervention in all those sectors of agro-industry, intervention by the revolutionary government" (BBC News, 2009).

The farmers and workers in the rice plants were in other words effectively enslaved to work at a loss under threat by the Venezuelan State, a dubious honour which many refused by shutting down what little that remained of their production, adding to the woes of the populace some more. In bringing Chavez to power, those who voted for him brought it on themselves and got exactly what they deserved.<sup>156</sup> But the absurdity of democracy *also* brought it onto people who actively *opposed* such collectivistic State interference in the first place. As was tragically noted by a spokesman of a Venezuelan rice company, "forcing companies to produce rice at a loss will not resolve the situation, [it will] simply make it worse", an observation which, in light of humanity's entire history, would require a kind of blind and economically ignorant dogmatism of the socialist variety to deny (McDermott, 2009). A State that sets out to abolish market prices by controlling them "is inevitably driven toward the abolition of private property; it has to recognize that there is no middle way between the system of private property in the means of production combined with free contract, and the system of common ownership of the means of production, i.e. socialism. It is gradually forced toward compulsory production, universal obligation to labour, rationing of consumption, and, finally, official regulation of the whole of production and consumption" (von Mises, 1912:281).

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<sup>156</sup> As the saying goes, be careful what you wish for.



But let us turn our attention to the motivations of individual consumers, and along identical lines to the reputed nemesis of humanity - the *speculator*.<sup>157</sup> When we cut through the righteous indignation which is so eagerly doled out when discussing this subject, it becomes clear that in fact everybody is a speculator, and people who object to speculation only do so if and when *they* are not the ones doing the speculating.<sup>158</sup> But that does not mean that it does not benefit them anyway. "If a powerful hurricane is forecast to hit land in a week, and people expect that gas prices are going to rise after the storm hits, then the difference in the price today and the expected post-hurricane price creates the opportunity for consumers to save money today by filling up their tanks when gas is cheaper. Speculators do the same thing. They profit by buying gas when it is cheap and selling it for a higher price after the hurricane. What is more, by doing so, these speculators are performing a valuable economic service - they are removing gas from the market at a time when it is plentiful and adding it at a time of shortage later. Oil company executives reason the same way. By raising gas prices before a hurricane, they reduce the demand for gas and are left with a bigger supply, which they can sell after the hurricane for a higher price. The downside of this action, of course, is that everyone has to pay more for gas before a hurricane hits. But no one talks about the upside - after the hurricane, when gas supplies are severely reduced due to the damage to production and supply lines, oil companies are sitting on increased inventories resulting from the pre-hurricane price hike (Alchian, 1983). These inventories then hit the market right when they are most needed. And this extra supply at such a crucial time helps to minimize the overall price increase (Fremling, 1989:293). In other words, by raising prices before the hurricane hits, oil companies keep the post-hurricane price hike much lower than it would be otherwise. If the damage from the storm is worse than anticipated, prices will continue to rise. But in the long term, the higher prices will help accelerate the affected area's energy recovery. After a hurricane, gas prices rise because the supply shrinks, and prices will begin falling once the supply improves. In other words, *rising free market prices in the short term actually help reduce prices in the long term by increasing supply* (Roberts, 1991:21). They do this in two ways. First, higher prices create a strong profit incentive for companies to find whatever ways they can to rush supplies into the area. The more profit to be made in a given area, the harder and faster people will work to transport more gas over there. Secondly, temporarily high prices reduce demand. They encourage people to carpool, use public transport, and take other unusual steps. Indeed, this kind of economizing was seen throughout the country as gas prices rose in the US shortly after the disastrous hurricane Katrina [in 2005] (McGeehan, 2005). Temporarily higher prices assist energy recovery in other ways as well. The prospect of higher prices after a hurricane gives oil companies an incentive to set aside more gas as a reserve for such a contingency even before a specific hurricane is forecasted. Storing gas is costly, and if we want gas companies to bear those costs," we cannot blame them for making a profit just like they would on any other investment. The US oil industry "was no more monopolistic when gas prices rose just before Hurricane Katrina than it was two weeks earlier when prices were lower. Neither did the companies suddenly become greedier" and neither were they less so once gas prices

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<sup>157</sup> A speculator is "a person who trades (i.e. derivatives, commodities, bonds, equities or currencies) with a higher-than-average risk, in return for a higher-than-average profit potential. Speculators take *large risks*, especially with respect to *anticipating future price movements*, in the hopes of making *large gains*". This definition was provided by Investopedia.com and will suffice for this discussion.

<sup>158</sup> "The epithet 'profiteer' is the expression of an arbitrary judgment of value. There is no other standard available for the distinction between profiteering and earning fair profits than that provided by the censor's personal envy and resentment" (von Mises, 1952:128).

went down again afterwards (Lott, 2007:20). They were simply reacting to the ever-present forces of supply and demand, and prices shifted upwards and downwards accordingly, *naturally*, without intervention and due to its very nature in the most efficient and effective way humanly *possible*.

Still, there is more to it. Instead of *maximum* prices, State officials all too often abuse their supposed authority to forcefully impose *minimum* prices as well. In modern Western contexts, the best known - and most dangerously misunderstood - case of a minimum price concerns *wages*.<sup>159</sup> The controversy surrounding them usually only increases when thinking about global competition with emerging economic regions like Brazil, Russia, India and China. Western anti-globalists, protectionists and other types of socialists often claim that competition for jobs with workers in Eastern Europe, India or China is something that is altogether irrelevant and can be legislated away. They simply say: "we do not want to compete with them, we want to keep our labour laws and Welfare State systems as they are", with the coinciding conviction that *that* will suffice - like a child that puts its hands over its eyes and thinks that, instead of merely blinding itself, it thereby makes the entire world disappear. This train of thought more often than not ends up with the claims that companies should be *forbidden* by the State from moving their production plants away, or that tariffs, import quotas, subsidies and various other forms of trade barriers should be *enforced* to "protect" Western workers. But low wage workers are following a *natural* principle of free market competition. It is sometimes argued that Western wages should not "compete" - i.e. start to be set by the market instead of by the State - but wages in other regions around the world should be controlled through enforced State intervention as well, in order to stop non-Westerners from "stealing" Western jobs.<sup>160</sup>

But who is stealing whose job exactly when State-enforced protectionism gets involved in the equation and keeps vast numbers of people in low wage countries unemployed through *artificial* nationalistic (or *regionalistic*) measures? Is company A *stealing* from company B by offering their service to consumers to build the same house at a lower price than company B?<sup>161</sup> By contrast, is worker A *stealing* from worker B by offering consumers the same service at a lower price? And in what way does being offered the exact same product at lower costs harm consumers? How can a Chinese person *steal* a European or American job?<sup>162</sup>

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<sup>159</sup> "Wages represent the discounted productivity of labour in satisfying consumer demand. Demand for consumer goods translates into demand for workers. Markets enable us to calculate the value of different types of labour, so that we can direct the use of labour to its most highly valued uses. Governmental intervention in labour markets (e.g. minimum wage laws) cause unemployment among less productive workers," see what follows (MI, 1996).

<sup>160</sup> Just like immigrants throughout history and most production-related technology like machines, computers and robots have all been accused of "stealing" jobs as well. See, among many others, (Gammon, 2009), (Konczal, 2009), (Beucke, 2006) and (BBC News, 2002).

<sup>161</sup> The house in the example can be replaced with any good or service in either case.

<sup>162</sup> Economic growth in developing countries leads to more than just monetary income for the local workforce. Indeed, "it may be said without exaggeration that the great extent and rapid increase in international trade, in being the principal guarantee of the peace of the world, is the great permanent security for the uninterrupted progress of the ideas, the institutions, and the character of the human race" (Mill, 1848). In a global economy, "we continually see signs of the phenomena Mill described. When Japanese multinationals spread out in the 1980's, their male executives brought their wives with them to New York, London, and Paris. When these traditional Japanese women saw how women were treated in the West, they absorbed ideas about women's rights [...]. When they returned to Japan, they became agents of social reform. In our own day, television and the Internet have played a huge role in expanding our social and moral consciousness beyond the bounds of our communities and nation-

Socialists are in the end little more than differently named fascists: they are both *nationalistic* in their aims - "those within the arbitrary national borders vote" - along with *coercive* in their means. There are no Western socialists marching in the streets to give their property away to starvation-stricken Africans that happen to live outside the borders, and neither can those Africans vote along. Imagine what would happen if they did, and imagine how the average Western socialist would react to such a third world inhabitant laying claim on his property in the same way as he himself lays claim on the property of others. "Observer after observer, in spite of the contrary expectation with which he approached his subject, has been impressed with the extraordinary similarity in many respects of the conditions under 'fascism' and 'communism'. Even communists must have been somewhat shaken by such testimonies as that of Mr. Max Eastman, Lenin's old friend, who found himself compelled to admit that 'instead of being better, Stalinism is worse than fascism, more ruthless, barbarous, unjust, immoral, anti-democratic, unredeemed by any hope or scruple,' and that it is 'better described as superfascist'; and when we find the same author recognizing that 'Stalinism is socialism, in the sense of being an inevitable although unforeseen political accompaniment of the nationalisation and collectivisation which he had relied upon as part of his plan for erecting a classless society' (Eastman, 1940:82), his conclusion clearly achieves wider significance" (Hayek, 1944:28). When the pieces of the puzzle start to fall together, it is not hard to see that "Marxism has led to Fascism and National-Socialism, because, in all its essentials, it *is* Fascism and National Socialism" (Voigt, 2939:95, emphasis added).

As Hayek observed in his classic *Road To Serfdom* (Hayek, 1944), "in Germany and Italy the Nazis and Fascists did indeed not have much to invent. [...] It was not the fascists but the socialists who began to collect children from the tenderest age into political organizations to make sure that they grew up as good proletarians. [...] The means which the old socialist parties had successfully employed to secure the support of *one* occupation group - the raising of their relative economic position - cannot be used to secure the support of all. There are bound to arise rival socialist movements that appeal to the support of those whose relative position is worsened. There is a great deal of truth in the often heard statement that Fascism and National Socialism are a sort of middle-class socialism - only that in Italy and Germany the supporters of these new movements were economically hardly a middle class any longer. It was to a large extent a revolt of a new under-privileged class against labour aristocracy which the industrial labour movement had created. [...] The conflict between the fascist or National-Socialist and the older socialist parties must indeed be very largely regarded as the kind of conflict which is bound to arise between rival socialist factions. There was no difference between them about the question of it being the will of the State

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States. Many believed that poor peasants would respond to the greater economic opportunities presented by globalization by taking their children out of school and putting them to work. Thus considered, the extension of the free market would act as a malign force. But I found that the opposite was true. It turned out that in many instances, the higher incomes realized as a result of globalization - the rising earnings of rice growers in Vietnam, for example - spurred parents to keep their children in school. After all, they no longer needed the meagre income that an additional child's labour could provide. Or consider gender equality. With globalization, industries that produce traded goods and services face intensified international competition. This competition has reduced the yawning gap in many developing countries between the compensation paid to equally qualified male and female workers. Why? Because firms competing globally soon find that they cannot afford to indulge their pro-male prejudices. Under pressure to reduce costs and operate more efficiently, they shift increasingly from more expensive male labour to cheaper female labour, thus increasing female wages" and creating an equilibrium between the two (JTF, 2008:2, emphasis added).

which should assign to each person his proper place in society. But there were, as there always will be, most profound differences about what are the proper places of the different classes and groups. [...] Fascism and National-Socialism, on the other hand, grew out of the experience of increasingly regulated society awaking to the fact that democratic and international socialism was aiming at incompatible ideals. Their tactics were developed in a world already dominated by socialist policy and the problems it creates. They had no illusions about the possibility of a democratic solution of problems which require more agreement among people than can be reasonably expected. They had no illusions about the capacity of reason to decide all the questions of the relative importance of wants of different men or groups which planning inevitably raises, or about the formula of equality providing an answer.<sup>163</sup> They knew that the strongest group which rallied enough supporters in favour of a new hierarchical order of society, and which frankly promised privileges to the classes to which it appealed, was likely to obtain the support of all those who were disappointed because they had been promised equality but found that they had merely furthered the interest of a particular class. Above all they were successful because they offered a theory, or 'Weltanschauung', which seemed to justify the privileges they promised to their supporters" (Hayek, 1944:117).<sup>164</sup>

Hitler was extremely popular in his time, before and after he claimed total power. It is true that he did not have 100% of the votes: the Nationalsozialistische Deutsche Arbeiterpartei (NSDAP) achieved 43.9% of the votes during the last elections in pre-war Germany on the 5th of March 1933. By comparison, the second largest party - the Social Democratic Party - received 18.3% of the votes. But this, as we all know, does not matter in a democracy: one does not need the full consent of the population to be the winner of a democratic election and consequently direct the policy and lives of *all* individuals within the arbitrary bounds of the nation. Hitler's Ermächtigungsgesetz was granted on the 25th of March 1933 through the support of the constitutionally required two thirds majority in the democratically elected Reichstag. Democracy is what brought Hitler to *legal* power, let there be no mistake about it. Propaganda Minister Joseph Goebbels, upon the democratic passing of the bill in the German Reichstag, declared: "the authority of the Führer has now been wholly established. Votes are no longer taken. The Führer decides. All this is going much faster than we had dared to hope" (TRN, 2008).<sup>165</sup>

Turning our attention back to economics; in a fast-changing world, flexibility - i.e. free market adjustment - is key. But Western economies have grown inefficient

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<sup>163</sup> In his famous novel "Welcome to the Monkey House", Vonnegut described socialist equality as follows: "The year was 2081, and everybody was finally equal. They weren't only equal before God and the law. They were equal every which way. Nobody was smarter than anybody else. Nobody was better looking than anybody else. Nobody was stronger or quicker than anybody else. All this equality was due to the 211th, 212th, and 213th Amendments to the Constitution, and to the unceasing vigilance of agents of the United States Handicapper General. The 'handicapping' worked partly as follows: Hazel had a perfectly average intelligence, which meant she could not think about anything except in short bursts. And George, while his intelligence was way above normal, had a little mental handicap radio in his ear. He was required by law to wear it at all times. It was tuned to a government transmitter. Every twenty minutes or so, the transmitter would send out some sharp noise to keep people like George from taking unfair advantage of their brains" (Vonnegut, 1970:7).

<sup>164</sup> Also see the previous Chapter.

<sup>165</sup> Do note that I do not dispute that the reasons behind Hitler's democratic election can be traced back to the Treaty of Versailles - in itself a mongrel of collectivism. The point made here however only relates to the fact that he gained power and established his authoritarian regime in a *democratically* legitimate way and with the backing of a two thirds majority in the democratic German Reichstag.



through socialist interventionism which privileges now this and then that special interest group. In being artificially bogged down, inflexible and inefficient, Western economies are simply being replaced by newly emerging regional economies as the new key players on the global level. Just like with natural selection in biology, survival of the fittest is the amoral objective reality of economics and by extension the market as well, no matter what subjective value judgment one wants to attach to it.<sup>166</sup>

So, does this mean that everybody who works is competing with the least paid workers in his sector from all over the world? To a degree, this is indeed the case.<sup>167</sup> Just like companies compete - among other things - with the price of their product, workers compete with wage levels - i.e. the price of their labour. There is, as far as rational and objective market mechanisms are concerned, no difference whatsoever.

In the same way that State-enforced maximum prices in the examples mentioned earlier created shortages in products, identical causal chains are at work as State-enforced minimum prices on labour result in inefficient off-optimum shortages in employment. The problem facing (potential) employees in Europe<sup>168</sup> now and in the future is that European employees are systematically, structurally, *artificially* and *coercively* overpriced due to State intervention. Artificially high wages, taxes and a constricting bureaucracy imposed on any would-be employer results in an above-market level of unemployment for the employees. A most obvious European example is the augmentation of wages (so-called indexation) in Belgium through *collective "trade agreements"* (FOW, 2010).<sup>169</sup> The rise in wages "to cope with inflation"<sup>170</sup> (in theory but not in practice) gets determined in a de facto economically irrelevant way through government-level negotiations between "employee unions" and "employer unions". In theory, through these negotiations, wage levels would be determined in a more efficient manner and fluctuate according to economic circumstances. The idea is that instead of everybody separately negotiating wages, it would be more efficient to determine wage levels for everybody at once through State intervention.

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<sup>166</sup> For example, despite the headlines generated by scandals like Enron, Lernout & Hauspie and many others, "it should be noted that the overwhelming majority of the tens of thousands of publicly traded firms are not run into the ground by their own corporate officers. Shareholders tend to find honest people to run their companies *because it is in their own interests to do so*" (Lott, 2007:180, emphasis added). In a free market, "those who only see the incentives of professionals and corporations to rip off their consumers are only considering one type of incentive. They miss the complex and fascinating process of how markets tend to evolve to solve cheating problems without government intervention. They fail to see not only that reputations matter, but that there are great incentives for the continual evolution of new mechanisms to guarantee the quality of products and services. As technology improves, these mechanisms become ever more efficient and creative. It is easy to point to some area of economic dissatisfaction, claim that the market is failing, and then demand that the State steps in. But advocates of government intervention fail to understand that consumers and producers find solutions themselves when their own money is at stake" (Lott, 2007:194). And so it is that, "because a modern economy is so complex, the wise men tasked with devising regulations frequently create more problems than they solve" (Hayek, 1945:519).

<sup>167</sup> Of course, competition is about more factors than monetary price alone, in the same way that evolution is about more variables than who has the highest amount of teeth. Productivity, location and a whole spectrum of other factors play their role as well.

<sup>168</sup> And to a lesser but nonetheless nearly equally devastating extent in the US, see for example (USD, 2009) and (USD, 2010).

<sup>169</sup> Once more it is important to keep in mind that when dealing with such things, the title that is given to something says little about the content. The so-called "agreement" also binds those employers and employees who *disagree*, through threat of State coercion. Newspeak in action.

<sup>170</sup> Inflation itself being a product of State interventionism through enforced fiat currency.



But because it is a State-backed committee that is determining the price of labour instead of the market, the result of what comes out of those negotiations is for all intents and purposes completely detached from economic reality. In practice, the wages only move up. Even during periods of economic decline, both the *nominal* and the *real* wage increases still vastly surpass effective growth in almost all instances (Degroot, 2008A/2008B). The impossible long-term viability and coinciding delusional mindset of such an inherently irrational system is clear to anybody who understands that you cannot keep on spending more than you earn.<sup>171</sup> But the point is that the members of the labour unions who are engaged in the "negotiations" surrounding the collective "trade agreements" do not care about economic reality: whether there is economic growth or not, they demand higher wages just the same.<sup>172</sup>

Does this mean that is a *bad* thing? Does this mean that employees should put the supposedly greater needs of the economy and society before their own self interest? Of course not. It is not a bad thing for people to always want more, in fact quite to the contrary: wanting more is what drives economy and life as a whole.<sup>173</sup> Just like it is not a "bad thing" for a company that is inefficient to *want* to make higher profits anyway, it is not a "bad thing" for employees to always *want* higher wages, whether or not this is economically *feasible* or not in either case. Having said that, there is a vast gap between wish and reality, and in a free market environment the market keeps all wishes in check with reality accordingly.<sup>174</sup> But in a *coerced market*, the difference between a company looking for higher profits and labour unions vying for higher wages is that the company cannot just *wish* those profits into existence, irrespective of the economic reality and their (in)competence or economic worth. In order to get higher profits they will have to play the market better. Labour unions, on the other hand, through the machinery of democracy and the State, *wish* their higher but irrational wage demands into a short-term *enforced* pseudo-reality, irrespective of *actual* economic reality and their (in)competence or economic worth. They do so at the cost of others through State-backed taxes and labour legislation which applies not only to themselves but also - and to a more devastating degree - to everybody else.

These artificial and subjectively arbitrary measures have no connection to what is realistically feasible, thereby distorting the market as a whole through their forceful implementation, creating massive unemployment and stumping economic growth in the same way that forceful implementation of maximum prices causes massive shortages in other types of products and services. To be perfectly clear, putting the "greater good" before self interest has absolutely nothing to do with this in any way whatsoever. That they personally wish and pursue higher wages is of course their full moral right. The problem is that because of the far-reaching integration of labour union special interests into *State-enforced* "public policy" and legislation, the "price of labour" in essence gets determined solely *by the people who are employed*, and this also for people - employed and unemployed alike - who *disagree* with what the

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<sup>171</sup> "You cannot carry on forever squeezing the productive bit of the economy in order to fund an unprecedented engorgement of the unproductive bit. You cannot spend your way out of recession or borrow your way out of debt. And when you repeat in that wooden and per functionary way that our situation is better than others, I have to tell you that you sound like a Breshnev era appartsjik giving the party line. You know, and we know, and you know that we know that it is nonsense" (Hannan, 2009).

<sup>172</sup> Somewhat in the average employee's defence, this is most likely because, generally, people fail to understand the distinction between *nominal* versus *real* incomes.

<sup>173</sup> See the previous Chapter, specifically will to power.

<sup>174</sup> See the example of advertisement incomes in the case of mass broadcasting.

committee "agreed to" over their heads. It is the people who are involved in labour unions who are the ones who artificially and forcefully set the price from a labour supply point of view, backed up by State coercion. All the while, unemployed people have no say in these negotiations, yet they are forcibly bound by them and are *forbidden* by the State to ignore them. Over the course of a few decades, the above builds up to unsupportable discrepancies between the realistic worth of such labour (market equilibrium and growth in productivity) on the one hand, and the price that employers are being *forced* to pay for it and employees are being *forced* to charge for it, on the other.

Even if a potential employee A and a potential employer B were to voluntarily agree amongst themselves to contract at a wage below the State-enforced minimum price, they would be coercively prohibited by the State from doing so. This, because *somebody else* - who is involved in neither the performance of the work nor the payment of the salary - collectively decided in a State-enforced "trade agreement" that A and B *as consenting adults* no longer have such freedom, and that their *voluntary* agreement is *coercively* trumped by a so-called "trade agreement" which they - obviously - *did not* and *do not* agree to.<sup>175</sup>

Even when and if *unemployed* person A was willing to work for 10 rather than being unemployed, and employer B for whatever reason is only willing or able to pay 10 for A's services;<sup>176</sup> this supposedly counts for naught if the *employed* labour union members collectively decided that minimum wage is 15 and the State consequently *enforces* this through minimum wage legislation of 15. A is effectively *forced* into unemployment and B is *coercively* prohibited from hiring an extra employee who is right there for him to hire and willing to work for 10.<sup>177</sup> But the State forcibly forbids them to handle their own affairs and stands ready to inflict penalties on anybody who would arrange their own agreement. What it comes down to is that all of this ultimately means that such "collective trade agreements" set wage levels above wages which unemployed people might be willing to work for and above wage levels which employers might be ready and willing to hire more people for. As the unemployed are not involved in the setting of wages but are *forced* to adhere to them anyway, the resulting *collectively* "negotiated" wage levels bear no relevance to economic reality and ultimately culminate in massive above-equilibrium unemployment and hampered economic growth due to this *artificially* deformed market situation.<sup>178</sup> All of this, of course, under the banner of solidarity, equality and benevolent intentions in the name of the greater good. But the reality of the matter is that if one is unemployed in a Western country today, there is a good chance that the aggregated actions of labour unions and the State are to blame for it.<sup>179</sup>

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<sup>175</sup> Demonstrated by the fact that they would like to cooperate at a different wage level instead.

<sup>176</sup> Which quite possibly are not worth 15, but *are* worth 10. For example because it is unskilled and easy labour and a lot of people would be willing to take such a job (basic supply and demand). See also the example of the value of a water bottle in relation to the value of labour.

<sup>177</sup> While in a free market environment A and B would be free to contract at 10 instead of at 15. In that case A would have a job, B would have an extra employee and the economy as a global whole would get a boost as an added bonus due to an extra person entering the workforce and an employer who thereby increases production.

<sup>178</sup> Even leaving taxation and the many (in)direct negative effects of "welfare" legislation aside for a moment (while they obviously tremendously add to the problem even more). See the case of Sweden mentioned earlier.

<sup>179</sup> To be clear, nobody claims that a free market means full employment for all; in reality such a conception is absurd, just like it is absurd to claim that there is no scarcity. But for obvious reasons,

Companies do not move away simply because they want to hurt their former workers just for the masochistic fun of it, as one is often lead to believe. The problem as such lies not with the mere *existence* of labour unions either - it is nobody's business who forms a group with whom - but with the fact that they start interfering with *other people's* self-ownership and furthermore use the State to *enforce* their personal preferences on others who - for whichever reason - want to have nothing to do with their "union". In short, labour unions have no moral authority to interfere with other people's consensual interactions, which are simply none of their business. When they do so anyway, *everybody* ends up paying for their misplaced arrogance.<sup>180</sup>

That is the ultimate crux of central planning: "though all of us agree about the need of attention to the direction of change and of *individual* planning of our lives, the word 'planning' is highly ambiguous. Planning for another involves factors which are totally absent in planning for one's self. A can, for example, operate more adequately on the basis of foresight in regard to A's own life than is possible when A is planning the life of another, because A has inside information about his intentions, while he does *not* have such information about the intentions of any other person" (Trueblood, 2010) and vice versa.

In short: a maximum price destroys supply, a minimum price destroys demand.<sup>181</sup>

The result in both cases, as we have seen, is unavoidable economic pandemonium. One is a socialist for thinking that (economic) reality is a secondary factor, and one is a capitalist for knowing that it is the only factor that matters and on which all else depends and follows, willing or not, naturally and amorally so.

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employment would be invariably higher if the market were free to set its price like it is the case with other types of goods and services as we have seen earlier.

<sup>180</sup> So what happens when, on top of this, the State turns to *corporatism* and starts throwing around subsidies - expropriated taxpayer money, among others paid for by direct competitors of the subsidy's beneficiary - in order to keep companies from moving abroad in pursuit of more efficient conditions (See for example (De Tijd, 2010) and (Olson, 2010)). In the best case scenario, if one could call it that, such a company stays where it was for a few years longer, losing its competitive edge more and more and *artificially* replacing the burden onto people whose money was taken by the State to keep the company alive as it keeps haemorrhaging capital. When all is said and done, all that happens is a painful postponement of execution and the creation of more misery after sinking a lot of stolen money into the bottomless pits of such lost cases. It is not just the metal sector or the automobile sector, it is the entire Western world that is lining up to collapse under the weight of its interventionist States. Let us follow the example through: the fact that companies move to where they get better quality for their money (work per euro/dollar, both in time and quality) because that is what they need to do in order to survive, how could one think of stopping this by anything else than having wages at real market levels? *Forcing* companies to stay and hire people to do the same work at ten times the price it costs abroad solves nothing and is, let us not forget, a moral crime against the freedom of company stock owners to do what they want with their private property (see for example (COEC, 1977)). To be clear, the above is *not* a plea for lowering wages via State intervention. State intervention is what caused the trouble in the first place. Instead, the market should be left to freely "do its thing", without State intervention that always makes others pay the bill for special interest groups and also coercively binds people who want to have nothing to do with such collectivism. Of course, realistically speaking, the proverbial genie is out of the bottle. As long as there is a State and democracy, Western wages will not be dropping, more and more jobs will be lost and the European social security behemoth will continue to exponentially strangle the rest of the economy. Right up until the fatal moment when the bubble bursts. See the events in Greece in 2010 for a look at the EU's future.

<sup>181</sup> See Venezuela and labour respectively.

Now, if all of the above really is true, I expect my readers to wonder: why does this debate over price controls never end? If it is demonstrated time and time again that artificially setting a price changes nothing about how it is set naturally and only leads to a destabilization away from market optimum and towards shortages, inefficiency and chaos, then why do people still cry out for State-enforced price setting and coerced markets? One fundamental problem - morally as well as economically - is the fact that people keep on feeling entitled to decide for *other* individuals what *they* are supposed to be *allowed* to charge for a service.<sup>182</sup> Another is that even more people do not grasp or care about the mechanics behind market mechanisms, never think about it and live under the presumption that prices are generally speaking rather arbitrary anyway, making it irrelevant whether the State sets them or the producers do.<sup>183</sup> They furthermore assert that what they call *economic pressures* on the so-called poor, unfortunate or *needy* by whichever subjective standard "do not essentially differ from the pressures the masters practice with regard to their slaves."<sup>184</sup> They reject what they call *private* governmental power,<sup>185</sup> but they - rather curiously - do *not* object to the restriction of liberty by *public* State power.<sup>186</sup> They want to concentrate all what *they* call 'restrictions of liberty' in the hands of the government. They attack the institution of private property and those who, as they say, 'stand ready to enforce property rights, that is, to deny 'liberty' to anyone who wants to act in a way which *violates* other people's private property rights' (Hale, 1952:5, emphasis added)" (von Mises, 1958). To people who embrace such theories, *property is theft*: withholding a good or service to somebody who cannot or will not pay for it is a crime, and reprimanding a thief actually constitutes a violation of the thief's rights.<sup>187</sup> Slave morality at its finest.

"They try to obliterate the difference between the servile state of mind and economic freedom by denying that there is any freedom in the mutual exchange of commodities and services on the market. Every market exchange is, in the words of a school of pro-socialist lawyers, 'a coercion over other people's liberty'. There is, in their eyes, no difference worth mentioning between a man's paying a tax or a fine imposed by a magistrate, or his buying a newspaper or admission to a movie. In each of these cases the man is supposedly subject to governing power. He is not free, for, as professor Hale says, a man's freedom means 'the absence of *any* obstacle to his use of material goods' (Hale, 1952:4).<sup>188</sup> This means: I am not free, because a woman who has knitted a sweater gave the sweater to her husband, perhaps as a birthday present, and he now puts an obstacle to my using it. I myself am restricting all other people's freedom because I object to their use of my toothbrush" (von Mises, 1958). Contrast such notions with the fact that only a generation ago, "all housewives prepared soup by proceeding in accordance with the recipes that they had got from their mothers or from a cookbook. Today many housewives prefer to buy a canned soup, to warm it and to serve it to their family. But, say our learned doctors, the canning corporation is in a position to restrict the housewife's *freedom* because, *in asking a price for the tin can, it puts an obstacle to her use of it*. People who did not enjoy the privilege of being tutored by these eminent teachers would say that the canned product was turned out by the cannery, and that the corporation, in producing it, removed the

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<sup>182</sup> A *mistaken* feeling of entitlement, as we have seen in Chapters 2 and 3.

<sup>183</sup> While in fact it is *consumers* who set the price. See the example of the water bottle above.

<sup>184</sup> Note: this use of "master" and "slave" has nothing to do with master and slave *morality*.

<sup>185</sup> I.e. person A "taxing" person B.

<sup>186</sup> A misguided notion at best and a slave morality infused one at worst, as we have seen earlier.

<sup>187</sup> See the futility of the statement "property is theft" in footnote 25.

<sup>188</sup> See also positive liberty as discussed in Chapter 1.



greatest obstacle to a consumer's getting and using a can: *its nonexistence*.<sup>189</sup> So why does our housewife buy the canned product rather than cling to the methods of her mother and grandmother? No doubt because she thinks this way of acting is more advantageous for her than the traditional custom. Nobody *forced* her. There were people, they are called jobbers, promoters, capitalists, speculators, stock exchange gamblers, who had the idea of satisfying a latent wish of millions of housewives by investing in the cannery industry. And there are other equally selfish capitalists who, in many hundreds of other corporations, provide consumers with many hundreds of other things. The better a corporation serves the public, the more customers it gets and the bigger it grows.<sup>190</sup> Go into the home of the average Western family and you will see for whom the wheels of the capitalistic machines are turning".<sup>191</sup> What is more, "capitalistic business is not blind perseverance in the once attained state of production. It is rather ceaseless innovation, daily repeated attempts to improve the provision of the consumers by new, better and cheaper products. Any actual state of production activities is merely transitory" (von Mises, 1958, emphasis added).

Another hindrance to recognizing the malicious effects of tampering with the market is what we could call *time lag*. "People see the short-term effects of controls in keeping prices low, but it is only later that the pernicious effects of shortages set in. People naturally find it easier to make connections between events that occur closely in time. Imagine if a day elapsed between the striking of a match and the resulting fire. Some people would fail to associate the two incidents. Many other events would have occurred during the intervening twenty-four hours that could seem to explain the fire. Because of this delayed effect, *companies* - not [State-enforced] price controls - are blamed for shortages" (Lott, 2007:21). In light of the State-enforced "solutions" to free riding, coercive price controls, time lags and the socialist healthcare reform<sup>192</sup> that is now being forced upon America as it has been forced upon Europe, it is worthwhile to mention the collectivist threat which is looming over the pharmaceutical industry and by extension all that benefit from it. This industry is currently "subject to price controls in every industrialized country in the world except for the United States. US-based drug companies spend vast sums to develop new drugs, and Americans pay high prices for them. Once developed, drugs are reasonably inexpensive to manufacture, and companies are willing to sell the medicines abroad at a price that merely covers the cost of manufacturing and distribution. Meanwhile, Americans cover the research and development costs through their high prices. Incredibly, Americans, who comprise just 5 percent of the world's population, account for 50 percent of the world's spending on drugs. In effect, the US is underwriting the cost of a critical chunk of the world's R&D on drugs. Perhaps this is not 'fair', as many other industrialized nations could bear to pay higher prices and

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<sup>189</sup> I would like to ask my readers to read the previous two sentences once more, as they are crucial.

<sup>190</sup> See the example of radio advertisement.

<sup>191</sup> "People who bite the hand that feeds them usually lick the boot that kicks them" (Hoffer, 1973:77).

<sup>192</sup> Which is at its core based on the same logic that would say: "mandate that everyone purchase a home or fine them. And presto: no more homelessness". Just to be clear, note that even before this healthcare reform there was heavy and institutionalized social security in the US (Medicare, Medicaid, etc.), all of which was and remains disastrous. Furthermore, due to the massive and strangulating regulation involved in this sector, the US healthcare market, as any other in recent history, was in no way free at all, despite absurd claims that it was, in spite of all the regulation and State interference that is objectively there (idem ditto in the case of the banking system where even the most basic factor, i.e. the interest rates, are completely controlled by the central banks and are the root cause of the boom and bust cycles. See the last footnote of this thesis). But as my readers probably realize by now, objectivity has little to do with anything when it comes to socialism and excuses for intervention.



thus help cover these costs. But if US drug prices dropped sharply as a result of re-importation", for example from Europe or Canada, "or when tied down by price controls, pharmaceutical companies would simply stop making many new drugs. Allowing price-controlled drugs to be sold in the US would instantly lower the price of drugs, causing pharmaceutical companies to cut back on inventing new medicines" (Glassman, 2003). Those drugs that just started to be developed "will be shelved, but many close to completion will be finished. It may take some years before new drugs completely stop being introduced. And when it becomes apparent that there are few new drugs being produced, who will people blame? Most likely, the harmful role of government price controls will be overlooked. Instead, politicians, editorialists, and much of the public will rush to vilify drug companies for allegedly not doing their job" (Lott, 2007:21). Such is the irony of economic ignorance.

But there is more to it: it is nigh impossible to get rid of price controls once they have been established.<sup>193</sup> Doing so in a democracy is akin to political suicide: the masses do not care about rationality any more than they care about who is picking up the bill as long as it is not them. Abolishing price controls "would mean that people would have to accept higher prices for drugs as soon as controls are removed, but it would only be years later, perhaps a decade or more, before brand new drugs start reaching the market again. Worse, pharmaceutical companies may not be willing to start new research out of fear that price controls will be re-imposed in the future" (Lott, 2007:21). Analogies to this can be drawn throughout history and along *any* other type of industry, as various instances ranging from seemingly innocuous policies like rent control (Jenkins, 2009) (Tucker, 1997) to indeed the whole of an economy as such, as every single collectivist economic experiment in mankind's history has unrelentingly shown. The practical consequences of such mistaken theories and their resulting policies are not to be underestimated (Courtois et al., 1999).

### 5.3 The Broken Window

Taking the effect of State interventionism into account and then turning back to so-called public goods, the overall conclusion concerning free riding is this: in a free market there is no trouble caused by free riders - even though instances of free riding may exist, and indeed do exist in relation to *everything* that affects more than one person. But actual free riding *problems*, on the other hand, *only* come into existence when the State is called in to destabilize the market through catering to special interest groups.

The absurdity of the reasoning by people who maintain the existence and consequent legitimacy State provision of *public* goods through expropriated funds, who applaud so-called "stimulus packages" and everything else that is to serve as a justification for the robbery of taxation by Keynesians of all ages, was explained most eloquently by Bastiat's famous Broken Window Fallacy.

When seeing how the coercive destruction of private property (through its forceful expropriation by the State) was defended by claiming that from such destruction would come something new, Bastiat asked his readers: "have you ever witnessed the

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<sup>193</sup> One example is the evolution of controls on gasoline prices during the 1970's, first imposed in 1971 and only removed in 1981 (NPR, 1981).

anger of the good shopkeeper, James B., when his careless son happened to break a square of glass? [...] Every one of the spectators [...], by common consent apparently, offered the unfortunate owner this invariable consolation - 'it is an ill wind that blows nobody good. Everybody must live, and what would become of the glaziers if panes of glass were never broken'? Now, this form of condolence contains an entire theory, which [...], unhappily, regulates the greater part of our economical institutions. Suppose it cost six francs to repair the damage, and you say that the accident brings six francs to the glazier's trade - that it encourages that trade to the amount of six francs - I grant it; I have not a word to say against it; you reason justly. The glazier comes, performs his task, receives his six francs, rubs his hands, and, in his heart, blesses the careless child. All this is *that which is seen*. But if, on the other hand, you come to the conclusion, as is too often the case, that it is a good thing to break windows, that it causes money to circulate, and that the encouragement of industry in general will be the result of it, you will oblige me to call out, 'Stop there! Your theory is confined to that *which is seen*; it takes no account of that *which is not seen*'. It is *not seen* that as our shopkeeper has spent six francs upon one thing, he cannot spend them upon another. It is *not seen* that if he had not had a window to replace, he would, perhaps, have replaced his old shoes, or added another book to his library. In short, he would have employed his six francs in some way, which this accident has prevented. Let us take a view of industry in general, as affected by this circumstance. The window being broken, the glazier's trade is encouraged to the amount of six francs: this is that *which is seen*. If the window had not been broken, the shoemaker's trade (or some other) would have been encouraged to the amount of six francs: this is that *which is not seen*. And if that which is *not seen* is taken into consideration, because it is a negative fact, as well as that which *is seen*, because it is a positive fact, it will be understood that neither industry *in general*, nor the sum total of *national labour*, is affected, whether windows are broken or not. Now let us consider James B. himself. In the former supposition, that of the window being broken, he spends six francs, and has neither more nor less than he had before, the enjoyment of a window. In the second, where we suppose the window not to have been broken, he would have spent six francs on shoes, and would have had at the same time the enjoyment of a pair of shoes *and* of a window. Now, as James B. forms a part of society, we must come to the conclusion, that, taking it altogether, and making an estimate of its enjoyments and its labours, it has lost the value of the broken window. Whence we arrive at this unexpected conclusion: 'Society loses the value of things which are uselessly destroyed'; and we must assent to a maxim which will make the hair of protectionists stand on end - to break, to spoil, to waste, is not to encourage national labour; or, more briefly, 'destruction is not profit'. What will you say, Moniteur Industriel<sup>194</sup> - what will you say, disciples of good M. F. Chamans, who has calculated with so much precision how much trade would gain by the burning of Paris, from the number of houses it would be necessary to rebuild? I am sorry to disturb these ingenious calculations, as far as their spirit has been introduced into our legislation; but I beg him to begin them again, by taking into the account *that which is not seen*, and placing it alongside of *that which is seen*. The reader must take care to remember that there are not two persons only, but three concerned in the little scene which I have submitted to his attention. One of them, James B., represents the consumer, reduced, by an act of destruction, to one enjoyment instead of two. Another under the title of the glazier, shows us the producer, whose trade is encouraged by the accident. The third actor is the shoemaker (or some other tradesman), whose labour suffers

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<sup>194</sup> Le Moniteur Industriel was a famous protectionist journal of the time.

proportionally by the same cause. It is this third person who is always kept in the shade, and who, personating *that which is not seen*, is a necessary element of the problem. It is he who shows us how absurd it is to think we see a profit in an act of destruction. It is he who will soon teach us that it is not less absurd to see a profit in a restriction, which is, after all, nothing else than a partial destruction. Therefore, if you will only go to the root of all the arguments which are adduced in its favour, all you will find will be the paraphrase of this vulgar saying - what would become of the glazier, if nobody ever broke windows" (Bastiat, 1850C:S51, emphasis his). Now, to make matters worse, imagine the same thing happening with the State involved,<sup>195</sup> where the funds are forcibly expropriated from a multitude of different persons, where money is *wasted* through State operations (bureaucrat wages, overhead costs, corruption,...) along with the initial broken window, and where the unseen effects ultimately take on pandemic proportions.<sup>196</sup>

But Bastiat saw things clearly enough to take it one step further. People, after hearing the arguments postulated above, sometimes wonder why the State would not die out instead of keep on growing as it does. Aside from the misgivings concerning the supposed right to collectively decide what to do with other people's property, I urge my readers to in turn consider Bastiat's equally famous and insightful parable of the Negative Railroad.

At the parable's conception, the French State was called upon to forcibly collect taxes in order to construct the supposed *public good* of a railroad between France and Spain. Proponents in both countries felt that it would give them access to cheap products from their counterparts, and producers in both countries saw easier access to the foreign market. The State was to turn to *corporatism* first and protectionism later.<sup>197</sup> "I have said that as long as one has regard, as unfortunately happens, only to the interest of the producer, it is impossible to avoid running counter to the general interest, since the producer, as such, demands nothing but the multiplication of obstacles, wants, and efforts. I found a remarkable illustration of this in a Bordeaux newspaper. Mister Simiot raises the following question: should there be a break in the tracks at Bordeaux on the railroad from Paris to Spain (Simiot, 1846)? He answers the question in the affirmative and offers a number of reasons, of which I propose to examine only this: there should be a break in the railroad from Paris to Bayonne at Bordeaux; for, if goods and passengers are forced to stop at that city, this

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<sup>195</sup> Perhaps because nobody is breaking any windows and glaziers asks for subsidies.

<sup>196</sup> Essentially, the window being broken simply means that it is useless to the shopkeeper. In similar vein, when the State taxes people, it takes away their funds and spends them on things which they did not and now cannot spend them on themselves; things which are to them under such circumstances as useless as a broken window, with the same malignant effects. The State may claim that it actually is creating jobs out of the destruction of private property (taxes) by having one person employed to dig holes and another employed to fill them; but in being a useless procedure, the capital involved simply gets destroyed like a broken window and its unseen negative effects. The exact same thing happens when the State spends expropriated funds on all kinds of public goods which people do not care about and would not have spent anything on themselves (useless infrastructure, committees, etc.).

<sup>197</sup> It should come as no surprise that tax paid subsidies towards companies are equally repulsive as tax paid subsidies towards individuals within capitalist morality and for the exact same reasons; a simple and logical fact which many people, self-proclaimed liberals included, all too often forget about. The same goes for special interest legislation that gives State-enforced privileges to companies, groups or individuals alike. As such it is clear that *the State itself is nothing but one giant externality*. A junky overdoses and everybody is *forced* to pay for it, a company loses money and everybody is *forced* to pay for it, people take on bad mortgages and everybody is *forced* to pay for it, the State starts a war and - unsurprisingly - everybody is *forced* to pay for it.

will be profitable for boatmen, porters, owners of hotels, etc. Here we see clearly how the interests of those who perform services are given priority over the interests of the consumers. But if Bordeaux has a right to profit from a break in the tracks, and if this profit is consistent with the public interest, then Angoulême, Poitiers, Tours, Orléans, and, in fact, all the intermediate points, including Ruffec, Châtellerault, etc., ought also to demand breaks in the tracks, on the ground of the general interest - in the interest, that is, of *domestic* industry - for the more there are of these breaks in the line, the greater will be the amount paid for storage, porters, and cartage at every point along the way. By this means, we shall end by having a railroad composed of a whole series of breaks in the tracks, i.e., a *negative* railroad. Whatever the protectionists may say, it is no less certain that the basic principle of restriction is the same as the basic principle of breaks in the tracks: the sacrifice of the consumer to the producer, of the end to the means" (Bastiat, 1845:I.17.1).

To summarize the negative railroad and the growth of State intervention more clearly, one special interest group starts out by asking and getting favours, and in response, when other people find out that *they* are the ones being forced through involuntary taxation to pay the price for it instead of the beneficiaries, those initial favours do not get revoked - this would cause an outcry by the initially favoured - but new ones get *added*, this time in favour of the newly complaining party; spawning ever more legislation in the same way that out of control cellular growth turns into terminal cancer.

The point is that "due to the transport efficiency of a proposed new rail line between France and Spain, each country's producers will be able to provide certain goods to the foreign market at a lower price. Domestic producers of these goods are afraid of being out-competed by the newly viable foreign industry. These domestic producers petition government for tariffs to raise the cost of the foreign goods to their pre-railroad levels in order to preserve their sales" (NPR, 2010). Bastiat sarcastically suggested that instead of doing what it always does, rather than enacting tariffs - i.e. adding more special interest favours to compensate for the difficulties that it artificially created in the first place - the State should at that point perhaps simply destroy the railroad anywhere that foreign goods are sold for less than local goods. He goes on to suggest that the State "should simply build a broken or *negative* railroad right from the start, and not waste time with tariffs and rail building. Taking Bastiat's argument further, such protectionism basically claims that "society would be 'best' if we were regressed to a caveman level of economy where supply of goods was at maximum scarcity. Then people would have to work as hard as possible for as little as possible and never have to fear outside competition" (NRR, 2010).

Ultimately, Bastiat's negative railroad illustrates that tariffs and other State-granted privileges and comparative advantages of whatever kind or form - which all necessarily rest upon force and coercion to shift the natural inequality from one group to an artificial State-enforced inequality of another - completely negate the gains offered to humanity through technology, ingenuity, determination and entrepreneurial progress. Indeed, "it is easier to seize wealth than to produce it; and as long as the State makes the seizure of wealth a matter of legalized privilege, so long will the squabble for that privilege go on" (Nock, 1943:121). Taxes rob money to pay "for transfers to special interests and public employees. In contrast to private businesses that supply the goods that consumers are *willing* to buy, public officials have no means to assess data as to what consumers truly demand, much less how to

go about meeting those demands economically", the price mechanism and market forces are in other words completely absent in public policy, and even if they were not the problem of taxation as theft remains (MI, 1996).

Speaking of State-enforced privileges, one seamlessly - crucially - arrives at the matter of *monopolies*.<sup>198</sup> Most people are familiar with the term mainly through the famous children's board game MONOPOLY and seem to base their understanding of the concept on equally infantile grounds.<sup>199</sup> Because of the prevalence of the supposed "lessons" which this game has taught generations of children, I will take a minute to discuss it before shifting our attention back to economic reality.<sup>200</sup> In a game of MONOPOLY, everyone starts with equal amounts of money, everybody takes fixed turns in order to move, receives money whenever passing "start" and goes to jail whenever unfortunately landing on the designated spot by roll of the dice (just like in real life, if one is to believe socialist apologists of crime).<sup>201</sup> The game takes place in a closed circuit of twenty-two properties that can be bought and built upon (Hasbro, 2010)<sup>202</sup> and where nothing is ever created or destroyed. Nobody - nothing - enters or leaves the MONOPOLY universe. All interactions and "trades" are limited to either paying rent for chance encounters and the only form of value adding activity is either building a house or a hotel on one or more of the twenty-two buildable properties. There are basically *two* ways of making money: getting cards and passing "start" through *your* rolling of the dice, or having other people pay an invariably fixed sum when they land on one of the twenty-two squares which you happen to own through *their* rolling of the dice. The only way to lose money is by being on the other end of either chance encounter. As anybody who has ever played MONOPOLY knows, at some point one player gets more property than the others. All the other players can do from that point on is wait until they finally lose the game to the monopolist who has become impossible to beat and whose only goal in the game is to destroy the other players. MONOPOLY is fully comprehensible by children from the age of eight (Hasbro, 2010). Lo and behold, the socialist understanding of market mechanics: "Proletarier aller Länder, vereinigt euch!" (Marx, 1848).

Curiously, at least to *some* people (myself included) aged eight and up, the fact that the effects of MONOPOLY only apply within the *artificial* non-market environment of the game board never enters the mind of those who use the children's game to defame the natural free market of reality. In order to demonstrate the absurdity of drawing life lessons and parallels from such poorly aggregated abstractions of the intricate fabric and infinitely detailed flux of real world market economics, all one needs to do is zoom out from the *artificial* restrictions of the board and look up beyond the borders of the kitchen table to the *natural* freedom of the market of the reality in which the game is being played. Beyond the artificial restrictions within the

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<sup>198</sup> A monopoly is a market segment containing only a single firm.

<sup>199</sup> As I have had the dubious honour of personally observing during more than one conversation about economic matters.

<sup>200</sup> MONOPOLY was released in the US in 1935, at the height of the Great Depression. Since then it has been sold in 103 countries around the world and has been translated into 37 different languages. By the year 2000, an estimated 500 million people had played the game at least once in their lives. Over 200 million copies have been sold and more than 5 *billion* of the famous little green houses have been built since 1935 (Hasbro, 2010).

<sup>201</sup> See for example (Marx et al., 1848).

<sup>202</sup> Not including four railroad stations and two *public* utility properties in the form of water and electricity (I hope that the irony of these two things being labeled *public* utilities in the game of MONOPOLY does not go unnoticed to whomever has been reading my thesis up to this point).



borders of the board game, all it and its rules amounts to is some cardboard, paper money and plastic with flashy colours. The green piece of plastic is not a house, the red piece of plastic is not a hotel and the rules of the game have nothing to do with the "rules" of reality. In the real world people do not gain money by passing "start". In the real world the game does not end after forty-five minutes. And, apparently *too* obvious for some to see, in the real world, there is more than one way to make or lose money. Will this cognizance suffice?<sup>203</sup> If we observe the lauded Keynesian formula of  $Y=C+I+G+(X-M)$  along with the conclusions and supposed justifications of socialist policies and aggressions drawn from *that* abstraction, it appears that it will not.<sup>204</sup> But one can only hope that at least *some* people are willing to look past the irrelevant abstractions and realize that *reality* is not simplified for ages eight and up.

Turning back to the real world, "there are three kinds of competition on the free market. First, there is competition within ourselves among all our desires. We can only ever pursue a limited set of our desires, so we must always decide which are the most important. Second, there is competition among everyone for the available consumable goods. These kinds of competition will exist in any economy, whether capitalist or socialist. To describe these kinds of competition is merely a restatement of the universal fact of *scarcity*.<sup>205</sup> Finally, there is competition between producers to serve the desires of consumers. [...] *Only* on the free market, where people must cooperate in order to achieve their goals, do people wish to satisfy the desires of others," and this out of mutual *self-interest* instead of inexistent altruistic motives. "It is not a struggle to defend one's own life against predators but a competition over who can be the best co-operator, over who can benefit the most people. [...] The assumption that bakers compete only with other bakers is therefore false: [...] all our desires are in competition with one another, and it is up to *every* producer to convince *us* that *his* service is the one that will bring us the most happiness. To some extent, all *consumer goods can substitute for one another, and there is no reason to suppose that the nearest substitute for my most desired goal resembles it in the slightest*. Our ability to adjust our goals based on costs and benefits means that very dissimilar goods can be substitutes. If I decide to watch my favourite show, but find that it is not on today, I might decide to watch another show, go make dinner, read a book, go out jogging, play a computer game, or do any number of other things having little to do with television. All of these activities are therefore in competition with one another to be my highest priority, and therefore the producers of all of them are in competition to provide the greatest satisfaction. [...] People are misled into believing that competition primarily operates between firms rather than between individual people, because their choice when they shop is between products made by several firms, not between individual producers within those firms. These products exist, however, because of the desire of the individual producers to surpass one another in earnings. If they had not been in competition with one another, they would not have assembled into firms in the first place. Under this economical view of competition it is immediately apparent that *there is no threat from monopoly on the free market. Since all goods are interchangeable to some extent, there is an insurmountable problem of identifying a monopoly in the first place*.<sup>206</sup> Even if a firm's product is unique, the producers in this firm are still in competition with all other producers.

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<sup>203</sup> If it will not, all is lost and there is little point in elaborating any further on it anyway.

<sup>204</sup> The formula is the basis of Keynesian economics and ultimately the quoted "justification" of tax-paid "stimulus packages" and interest rate controls in various forms.

<sup>205</sup> See the previous Chapters, Chapter 3 in particular.

<sup>206</sup> Also see (Rothbard, 1962).

Their product must provide a superior satisfaction to all others in at least some cases if it is to be sold" (Krawisz, 2010, emphasis added).

The perceived threat which monopolies pose is that they are thought to allow the monopolist to overcharge. However, this only is the case when monopolies are *enforced* by the State and competitors are thereby forcibly prevented from entering the market. In a free market environment however, the concept of monopoly is irrelevant: if a monopoly exists, it exists through merit. The incentive in a free market to keep prices low and wages up - even as the sole provider of a specific type of good - is that if you do not keep prices low, somebody else will be able to capture your market, and if your wages are not up to par you will lose skilled personnel to the competition who pays them more. If one needs proof of this beyond the obvious, all one needs to is look at the market right now: *if it did not work this way, everybody would be earning minimum wage* as dictated by State-enforced law. But through market mechanisms, this is not the case: according to supply and demand, some people earn more and others earn less according to the market value of their services.

But, so say the worried apologists of State aggression through market intervention, a monopolist might be so large that whenever a competitor rises up the monopolist can apply *predatory pricing*<sup>207</sup> or just buy the new entrant out. But say this were to happen and such a "monopolist" buys a competitor out to thereby remove him from the market. What happens next? Nothing would keep anybody from starting another competing company in a *free market* environment: if anything, another reason is thereby *added* to start another competing firm. Not only would there be the original reason of a profit to be made because of the inefficiency of the current dominant company that can be undercut - nothing changed in that regard - but there would also be the *added* prospect of possibly being bought out. It would only make the start of a competing firm a more attractive investment.

So is the monopolist going to buy out the next firm, and the next and the next one after that and everybody else who starts a similar company or one that offers any possible substitute? In making this argument one would need to blind himself to the fact that if there is no State-enforced regulation that enforces the monopoly, there is no reason *not* to start a new company to tackle the monopolist: everybody is free to do so and if there is money to be made because it is possible to turn out a profit by underselling the monopolist, somebody will.

The concept of monopoly *in a free market system* in other words does not hold and does not have any relevance in economic reality. At some point the monopolist runs out of funds to buy out new competitors. In similar fashion, "the strategy of predatory pricing is so riddled with contradictions that it actually ends up creating new incentives for competitors to join the market. Even under the best of circumstances for monopolists, predatory pricing is difficult. Even if 'predators' succeed in driving away competitors, the fruits of victory will prove short-lived" as the process will simply repeat itself when a new competitor gets drawn to the same high prices. This then "forces the 'predator' to slash its prices yet again in order to drive these new entrants from the market," causing another round of heavy losses for the would-be

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<sup>207</sup> Predatory pricing "occurs when a firm slashes prices below its own cost of production, usually in an attempt to drive competitors out of business. A predatory firm in other words then does not prevail due to the merits of its business plan; rather, its success depends on its willingness to lose money temporarily in order to shut down its competitors" (Hansen et al., 1995:261).

monopolist (Lott, 2007:32) (Bork, 1978:39). "This Ferris wheel of lowering and raising prices makes little economic sense" (Lott, 2007:33) and therefore the actual possibility of a monopoly firm using this tactic over and over again is non-existent; such a company would be able to produce at a loss for a while, but not forever.<sup>208</sup>

Furthermore, "predation can be overcome by using a tactic employed over 130 years ago by the famous Jay Gould, whose manoeuvre, while not carried out against a predatory firm, still demonstrated why predation is so difficult and thus so rare. [...] In order to overcome the dominant position Western Union enjoyed in the telegraph industry, Gould 'shorted'<sup>209</sup> Western Union's stock. Shorting involves borrowing shares in a firm's stock from a brokerage, selling them, and then repurchasing them later to return to the brokerage. When you short a company's stock, you are betting that the stock price will fall sometime after you borrow and sell the shares, so that you can buy them back later for a lower price and pocket the difference. In Gould's case, he shorted Western Union's stock and then set up his own telegraph lines to compete against the company, making a bundle as Western Union's stock predictably fell. Gould and his partner made a million dollars each just on the stock deal (Josephson, 1934:205)" (Lott, 2007:34). Not a bad deal for the 1870's, even without taking into account the difference in historical value.<sup>210</sup> In this regard it is worth noting that, in another display of how the State is what causes and maintains monopolies both directly and indirectly, the EU - along with several other political bodies around the world - is currently preparing legislation to outlaw and prohibit short selling (Reuters, 2010).

It becomes ever more obvious that monopolies in any relevant sense only remain in existence through State-granted favours and interventions, in one form another. For example, through licensing, IP legislation<sup>211</sup> or flat out declarations of monopoly for State or pseudo-"private" companies that have the coercive backing of the State to enforce their monopoly. These companies then are free from market forces where the consumer decides who serves him best and who gets bumped out of the market. For example, in Finland (Systembolaget, 2003), Iceland (Vinbudin, 2008) and Norway (Vinmonopolet, 2010), State-owned companies have enforced monopolies over the sales of alcoholic beverages. Other frequently State-granted monopolies around the world cling to roads, postal systems, water supply, electricity supply, education<sup>212</sup> and in many cases the use of natural resources.<sup>213</sup>

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<sup>208</sup> In this regard, also see (Lott, 1999).

<sup>209</sup> "Selling short is the opposite of going long. That is, short sellers make money if the stock goes down in price". This definition was provided by Investopedia.com, which also provides a more thorough explanation for those unfamiliar with the concept. The first historically recorded instance of short selling was done by somebody called Isaac le Maire, "a major shareholder in the Dutch East India Company (Verenigde Oostindische Compagnie or VOC), who speculated on the depreciation of its stocks as far back as 1609" (NRC, 2008).

<sup>210</sup> In 2009, \$1,000,000.00 from 1870 was worth: \$17,000,000.00 (using the Consumer Price Index), 15,900,000.00 (using the GDP deflator), \$239,000,000.00 (using the nominal GDP per capita) or \$1,840,000,000.00 (using the relative share of US GDP). Data from Measuringworth.com (at the time of writing, data is available from 1774 up to 2009).

<sup>211</sup> See Chapter 3.

<sup>212</sup> "Government attempts to supplant parents as the primary source of social values are not even limited to full-fledged totalitarian countries. A particularly disturbing example is evident in the justification given for the creation of Sweden's extensive nursery school system. Declaring that 'School is the spearhead of Socialism,' Ingvar Carlsson, Sweden's education minister from 1969 to 1973 (and later prime minister), insisted that removing children from the home through 'pre-school training is essential to eliminate the social heritage of undesirable, reactionary parental views' (Huntford,

If, however, those governmental favours and enforcements do not exist, then one of two things will happen. Either the dominant company is best at what it does and it has every natural and amoral "right" to be a monopolist as long as it can maintain its market position through the favour of the consumers, or a different company will start to take over its place the very moment the dominant company is not the most efficient in serving the consumer.<sup>214</sup> Again, keep in mind that this is without State interference of any kind. If it is not the most efficient in both price and quality, a company will not and cannot be king of the hill for long.

What is there to fear of monopolies of this kind? If they truly overprice or sell bad quality products, somebody will swoop in and make a cheaper or better alternative and win the profits for themselves. That is the way in which the *real* game works: say I have a *market* monopoly on producing bread, and I charge 100 for it while it can be produced for 50. This gives the *market* "monopolist" a profit of 50 (=100-50). Their own profit motive will ensure that somebody else will then step in to sell it for 99 (profit of 49=99-50), which is still highly profitable and a very interesting investment opportunity. But then the former monopolist might lower his price to 97 (47=100-50), at which point a new competitor might enter the market at 86, 75, 70 and so on until at some cascading point we might arrive at 60 instead of 100. The monopoly and overcharging could not survive due to the competition to serve the consumer

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1972:222). Swedish educational theorists even advocated tax and government employment policies that would 'get both parents out of the home, so that children are forced out as well' (Rosen, 1996:729). By abolishing the very concept of the family, totalitarian governments essentially hope to create a government *monopoly on the transmission of social values*. Once this is achieved, the main avenue through which this monopoly spreads the regime's values is through the education system. While the degree of indoctrination in American schools for example never reached totalitarian levels, a brief history of the evolution of American public schooling reveals that public schools, in fact, did develop specifically as a method to inculcate values supported by the government. As in many other countries, mass education in the United States began at the instigation of churches. For a long time, schooling was openly religious. In the 1820's, in New York and in other states, legislators became more and more concerned that many students were receiving *the wrong type of education*. It was not that children were going uneducated - in 1821, about 93 percent of New York's school age youths were already attending private schools (West, 1967:127)" before it was compulsory and "free" through State intervention. Instead, "as expressed in legislative debates, the actual fear was that students educated in private Catholic schools would learn the wrong values and end up becoming criminals. If Protestant schools could be made less expensive through government subsidies, the legislators reasoned, some Catholics would transfer their children there, thus saving them from an otherwise unavoidable life of crime (Lott, 1984). The subsidies began as a kind of voucher system in which approved Protestant schools received a per pupil payment. However, this had an unintended consequence: the subsidized Protestant schools started competing against each other to attract Catholic students. To compete, they began teaching more of what Catholic parents and students wanted - reading, writing, and math - and less of what they did not want - Protestant religious training. Advocates of the subsidies found that the subsidized schools were no longer providing the religious training that justified the funding program in the first place. In response, subsidies were limited to the approved Protestant school nearest to a student's home. This reduced the incentive for the schools to compete against each other, and thus to limit their Protestant religious instruction. As government programs tend to do, over time the subsidy scheme grew until it began eliciting complaints that the subsidized schools were getting most of their money from the government while being protected from competition. With the Free Schools Act of 1867, the State simply took over the subsidized schools, which then became public institutions (West, 1967:105). So what are these government values that are spread in the education system? In short, the government has a vested interest in teaching the young to believe that government policies can effectively solve problems, and public school teachers have every incentive to teach this axiom as well" as they directly depend on State funding from taxation for their very livelihoods (Lott, 2007:189-192). Also see (Lott, 1999A).

<sup>213</sup> As in the case of the Venezuelan nationalization of the petroleum industry mentioned earlier.

<sup>214</sup> Entirely or partly as comparative market shares shift.



better. All that happened from a consumer's perspective was the lowering of the price for the same loaf of bread.

But now say that production cost is 50 and the sole remaining producer is selling the product for 55 (a profit of  $5=55-50$ ), making it uninteresting for anybody to enter the market as the product of that type and quality cannot be profitably produced any more cheaply with a decent return on investment. What is the problem with this kind of "monopoly"; all it does is serve the customer best by providing something at the lowest possible price. Without the profit of 5, nobody would produce the product and the product simply would *not exist*.<sup>215</sup> The "monopolist" - if we insist on calling it such - is where he is *in a free market* because of the fact that the product which he offers, at the prices he is offering it, is momentarily better and more efficient than what the competition can possibly offer. Those who disagree are free to not buy the product or to enter the market and win the consumers over by serving them even better. In any case, the consumer is secure in getting the best product for the best price as long as the market is free from State intervention. It is only when the State *enforces* monopolies that competition is coerced out of the equation and the consumer gets harmed.

One only has to look at the automobile industry in the Western world; inefficient and outdated, it would have disappeared half a decade ago if it was not for favours from the State, subsidies which were forcefully expropriated from consumers, "tax payers", whether they wanted to or not and *while they had already made their preferences known through market mechanisms as the failure of these companies indicated*. Many consider this to be a failure of the market, but if anything it is only a show of its strength and the inevitability of its principles: no matter how hard one tries to ignore reality, in the end it is the amoral market - the consumer - which objectively decides upon the myriad of aggregated subjective valuations. The only monopoly to loathe is one that is enforced by the State: other monopolies disappear from the market naturally if and when they lose their amoral right to hold that position; those that are *enforced* by the State do not disappear: they get subsidized, remain wastefully inefficient and therefore harm the consumer several times over as they keep breaking ever more windows with impunity.

In similar vein, *anti-trust legislation*<sup>216</sup> to create free markets is like chaining a rock to a swimmer's feet to make him swim faster. Such policies serve no other purpose than to "protect" inefficient businesses from efficient ones through State coercion, and it is as always the consumer who suffers from it. Anti-trust laws are created by lobbying and political manoeuvring, let there be no mistake about it. One has to stop and think a moment at this point about the difference between a free market monopoly situation which has to be *continually deserved* in order to be maintained, and an artificial monopoly *enforced* by the State where efficiency and quality or

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<sup>215</sup> See the effect of price controls and shortages by lack of profit above.

<sup>216</sup> Which outlaws "monopolies" that naturally formed in the market through merit. This results in the *forceful handicapping* of such successful companies "to give other companies a chance"; since they would otherwise not be efficient enough to compete. Such absurdities are de facto detrimental to the consumer. No consumer has ever lobbied the government to stop a successful company from being so good at serving its customers. But would-be competitors use bribery and nepotism to bypass economic reality through State enforcement that cripples their betters at the cost of the productively efficient and the consumer "to protect the consumer from monopolies". In the words of the 1st century BC Roman senator Cassius, one question always has to be asked when State meddlers "selflessly" enforce their "help": *cui bono* (to whose benefit)?



economic reality and the valuations of the consumer counts for absolutely nothing at all. What exactly is the problem or detrimental to the consumer within the mechanics of a *free market*, where a company offers the best product for the best price and thereby gains momentary dominance in its specific market segment? If it earned that place in a free market environment instead of through State coercion, it has to *continue* earning it by serving the consumer better than anybody else possibly can, or it will fall from dominance. Such are the rules of economic reality: if the company shows flaws, weaknesses or inefficiency, others will pounce on it because it means that there is a profit to be made.

So how does the consumer suffer from these *de facto merit-monopolies* and why should anti-trust legislation be used to punish them for being so exceptionally good at serving the consumer? Because "everybody should have a chance"?<sup>217</sup> But that is the

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<sup>217</sup> "Equality of opportunity has seemed to many writers to be the minimal egalitarian goal, questionable (if at all) only for being too weak. (Many writers also have seen how the existence of the family prevents fully achieving this goal.) There are two ways to attempt to provide such equality: by directly worsening the situations of those more favoured with opportunity, or by improving the situation of those less well-favoured. The latter requires the use of resources, and so it too involves worsening the situation of some: those from whom holdings are taken in order to improve the situation of others. But holdings to which these people are entitled may not morally be seized, even to provide equality of opportunity for others. In the absence of magic wands, the remaining means toward equality of opportunity is convincing persons each to choose to devote some of their holdings to achieving it. The model of a race for a prize is often used in discussions of equality of opportunity. A race where some started closer to the finish line than others would be unfair, as would a race where some were forced to carry heavy weights, or run with pebbles in their sneakers. But life is not a race in which we all compete for a prize which someone has established; there is no unified race, with some person judging swiftness. Instead, there are different persons separately giving other persons different things. Those who do the giving (each of us, at times) usually do not care about the handicaps laboured under; they care simply about *what they actually get*. No centralized process judges people's use of the opportunities they had; that is not what the processes of social cooperation and voluntary exchange are *for*. There is a reason why some inequality of opportunity might seem *unfair*, rather than merely unfortunate in that some do not have every opportunity (which would be true *even if no one else had greater advantage*). Often the person entitled to transfer a holding has no special desire to transfer it to a particular person; this contrasts with a bequest to a child or a gift to a particular person. He chooses to transfer to someone who satisfies a certain condition (for example, who can provide him with a certain good or service in exchange, who can do a certain job, who can pay a certain salary), and he would be equally willing to transfer to anyone else who satisfied that condition. Is it not unfair for one party to receive the transfer, rather than another who had less opportunity to satisfy the condition the transferrer used? Since the giver does not care to whom he transfers, provided the recipient satisfies a certain general condition, equality of opportunity to be a recipient in such circumstances would violate no entitlement of the giver. Nor would it violate any entitlement of the person with the greater opportunity; while entitled to what he has, he has no entitlement that it be more than another has. Would it not be *better* if the person with less opportunity had an equal opportunity? If one so could equip him without violating anyone else's entitlements (the magic wand?), should one not do so? Would it not be fairer? If it *would* be fairer, can such fairness also justify overriding some people's entitlements in order to acquire the resources to boost those having poorer opportunities into a more equal competitive position? The process is competitive in the following way. If the person with greater opportunity did not exist, the transferrer might deal with some person having lesser opportunity who then would be, under those circumstances, the best person available to deal with. This differs from a situation in which unconnected but similar beings living on different planets confront different difficulties and have different opportunities to realize various of their goals. There, the situation of one does *not* affect that of another; though it would be better if the worse planet were better endowed than it is (it also would be better if the better planet were better endowed than *it* is), it would not be *fairer*. It also differs from a situation in which a person does not, though he could, choose to *improve* the situation of another. In the particular circumstances under discussion, a person having lesser opportunities would be better off if some particular person having better opportunities did not exist. The person having better opportunities can be viewed not merely as someone better off, or as someone

point: in an artificially *regulated* market where the State instead of the consumer decides who can compete and who cannot, one gets thrown in jail for taking a chance: nobody has such a "chance" when the State is preventing it.

Yet, so say collectivistic interventionists, in both earlier and more modern times, corporations like Chiquita and the Dole Food Company in Latin America (Cohen, 2009), Shell in Nigeria (BBC News, 2004) and organizations like the ACFTU in China<sup>218</sup> (TE, 2005), to name a few, have been closely linked with corrupt regimes and Human Rights Abuses. Clearly, according to socialists, this shows that *the market* has failed in those instances. But that is the entire point right there: *the whole concept of political corruption stems from the fact that the State - politicians - are given free rein to intervene and distort economic reality through the doors opened by socialist ideologies that give the State and its bureaucrats the green light to aggress against private property, self-ownership and the market. If the State has nothing to do with economic policy, it is impossible to corrupt State officials for economic gains*: in such a situation they cannot do anything and there consequently is no State force to corrupt.

If companies use corrupt State officials to disown people who own valuable land or are in their way,<sup>219</sup> then this is *not* a problem created by capitalism but a problem created by socialism and the State supposedly having the *legal* - but certainly not the

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not choosing to aid, but as someone *blocking* or *impeding* the person having lesser opportunities from becoming better off (perhaps we should understand Rawls' focus on social cooperation as based on this triadic notion of one person, by dealing with a second, blocking a third person from dealing with the second). Impeding another by being a more alluring alternative partner in exchange is not to be compared to directly *worsening* the situation of another, as by stealing from him. But still, cannot the person with lesser opportunity justifiably complain at being so impeded by another who does not *deserve* his better opportunity to satisfy certain conditions? (Let us ignore any similar complaints another might make about *him*.) [...] If the woman who later became my wife rejected another suitor (whom she otherwise would have married) for me, partially because (I leave aside my lovable nature) of my keen intelligence and good looks, neither of which I 'earned', would the rejected less intelligent and less handsome suitor have a legitimate complaint about unfairness? Would my thus impeding the other suitor's winning the hand of the fair lady justify taking some resources from others to pay for cosmetic surgery for him and special intellectual training, or to pay to develop in him some sterling trait that I lack in order to equalize our chances of being chosen? (I here take for granted the impermissibility of worsening the situation of the person having better opportunities so as to equalize opportunity; in this sort of case by disfiguring him or injecting drugs or playing noises which prevent him from fully using his intelligence.) *No such consequences follow*. Against whom would the rejected suitor have a legitimate complaint? Against what? Nor are things different if the differential opportunities arise from the accumulated effects of people's acting or transferring their entitlement as they choose" (Nozick, 1974:237). What is more, the suitor's family (for example his mother who desperately wants grandchildren) is *also affected* by the woman's choice. But how would the fact that they are affected lead to their having a say in which partner a woman would be allowed (not) to choose? Would rape by unattractive suitors then perhaps also be justified in a supposedly justified call for equal opportunity to procreate with attractive women who otherwise only opt for other attractive mates? Libertarianism says it is not; but socialism implies that it is through the mechanics it wishes to apply to other areas of life on identical grounds. (For example strikers "refusing" lay-offs.)

<sup>218</sup> The State of the "*People's Republic of China*" claims that so-called "Asian values" mean that the "welfare" of the collective "should always be put ahead of the rights of any individual whenever conflicts between these arise" (Ommerborn, 2005). The Chinese State - as represented by President Hu Jintao, who is also general secretary of the Central Committee of the Communist Party of China, the only party allowed by the State in China - argues that the State has the responsibility of creating a "harmonious society", and that it is necessary to "persuade or *force* individuals to make *sacrifices* in their *rights* for the benefit of the *needs* of society" (Xinhua, 2005).

<sup>219</sup> See the example of Zimbabwe and Venezuela mentioned earlier. Also see (Courtois et al., 1999) for an extensive overview throughout history.

moral - authority to do this. One needs to be careful not to confuse symptoms with causes and vice versa.<sup>220</sup>

Case in point: a major reason why agriculture in Africa never gets off the ground is because of subsidized EU farmers dumping their inefficient stocks (oversupply caused by the subsidies) on the African market, thereby flooding it, making the prices drop to absurd levels and forcing native farmers out of the economy;<sup>221</sup> not because of economic *efficiency* on part of the European farmers but actually because of *inefficiency* caused by State intervention on the EU market. This is not a problem of the market, it is a problem of State intervention through subsidies which distort and destabilize the market away from the optimal situation for the consumer who pays extra for special interest groups that managed to lobby the State into subsidizing them with coercively expropriated taxpayer money.

Furthermore, subsidies do not de facto benefit their supposed benefactors either. Following the implementation of various subsidy schemes, by the year "1984, nearly 40% of the average New Zealand sheep and beef farmer's gross income came from government subsidies. [Until in 1985] almost all of these subsidies were removed. New Zealand farmers were on their own, and they remain so. [...] There was minimal financial assistance from the New Zealand Government to assist farmers make the transition to an unsupported market. The State provided a one-off 'exit grant' to farmers who were leaving their farms [instead of continue farming], which was equivalent to about two-thirds of their previous annual income. In addition, farmers with extremely low incomes were entitled to social welfare income support on the same basis as unemployed or very low income New Zealanders. The New Zealand Government supplied some funding for a trust established to provide financial advice to farmers on whether they should leave the land or stay in business. The trust employed eight advisors nationwide, assisting farmers to decide on their futures. Corporate sponsors and Federated Farmers of New Zealand also contributed to the trust's costs. Overall though, there was no substantive government effort to soften the effect of change. [...] The level of assistance to agriculture in New Zealand now represents around 1 to 2 percent of farming income. The equivalent percentages for other countries include Australia 6 percent, United States 11 percent, Canada 23 percent, the European Union 32 percent and Japan 53 percent. What support New Zealand farmers receive is mainly in the form of government funding for agricultural research" (FFNZ, 2009). "Farmers in New Zealand are the least subsidized and among the most productive among the countries in the Organization for Economic Cooperation and Development. Farming products, excluding forestry, earn more than 40 percent of New Zealand's export income, and agriculture contributes about 17 percent to New Zealand's gross domestic product. Since farm subsidies were withdrawn in New Zealand, the number of sheep has dropped to about 40 million from 58 million, the number of dairy cows has risen to more than five million from

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<sup>220</sup> See the effect of time lags mentioned earlier or in similar vein the business cycle.

<sup>221</sup> For example, "British households pay an extra £832 a year in grocery bills due to the huge EU subsidy system that is also depriving tens of thousands of farmers of their livelihoods. [...] Everyday goods such as bread, milk, sugar and chicken are all more expensive because of the payments made to European farmers [through forcibly expropriated taxpayer money]. At the same time, dumping of subsidised produce in African countries is forcing local producers out of business. [...] Thousands of tonnes of [EU-subsidised] surplus powdered milk from the EU are dumped in West African countries such as Mali at a cheaper price than local cattle owners can sell at, holding economic growth back. [...] The dairy subsidies have driven farmers in India and Jamaica out of business" (Frith, 2006).

3.5 million and deer stocks have risen by 64 percent. Productivity has risen in each area. Only 1 percent of farms went under, far less than the 10 percent predicted by the State at the time. [...] New uses of technology, cost cutting, efficiency gains, and economies of scale have all helped. So has the development of niche products like kiwi fruit, merino wool, clove or chicory-fed lamb meat, wine, even animal embryos. Farmers and agricultural service workers had dreaded the changes, fearing that rural communities would fracture and the remote country would become a footnote in world trade. But after the initial years of adjustment, farming in New Zealand is more profitable than ever. [...] New Zealand farmers were cut adrift by their government. Yet, the farming sector in New Zealand has grown and is more dynamic than ever. The intervening years have been a struggle for many, but now farmers are proud of their achievements. Ian Ewen-Street, agriculture spokesman for the Greens Party of New Zealand, himself a farmer, said that any attempt to bring back subsidies would face 'intense opposition, led by farmers. Even as a Green,' he said, 'when I look at the U.S. and Europe, with subsidies up, I wonder why we can do it and others cannot'" (England, 2005). New Zealand's farmers "are now farming better than ever. They are much more conscious that their activities must make good business sense. No longer are they chasing subsidies and pursuing maximum production at any cost. Farmers maintain cost structures that reflect the *real* earning capacity of their farms. They invest in protecting their environment and the value of their land is based on its earning capacity in the market. Good management of the environment is an integral part of sustainable agricultural practice by farmers. *With the removal of subsidies, agricultural practice is now fully driven by the demands of the market and by consumers.* The removal of subsidies has also broadened the base of farming to encompass activities, such as rural tourism, that brings management of the landscape and the rural environment to the fore. [...] The diversification of land use prompted by the removal of subsidies has been beneficial for farmers and has increased the size and scope of the New Zealand agricultural sector as new innovative products have been developed" (FFNZ, 2009, emphasis added).

The market *naturally* and amorally balances itself; State intervention can *de facto* do nothing but *artificially* distort it through use of force, and any such distortion is necessarily away from the market optimum of supply and demand and therefore necessarily towards the disadvantage of the consumer. In a *free market*, there is no option for the State to subsidize an individual or a company with stolen money, no matter which one it is and no matter what sector it operates in.

"Economists of the classical school were right to define a monopoly as a government-granted privilege, for gaining legal rights to be a preferred producer is the only way to maintain a monopoly in a market setting. Monopolies cannot be sustained over the long haul, and not even the attempt should be regretted since it is a great benefit to consumers. Attempted cartel-type behaviour typically collapses,<sup>222</sup> and where it does

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<sup>222</sup> Perhaps an interesting anecdote in this regard: during the Strategic Business Game my classmates and I played in our Master's year, we were free to use whatever means necessary to compete: our professor, dr. Verrue, stated clearly that there were no imposed rules whatsoever. The market was free. After a while, the six opposing teams decided to set up a cartel because our price competition was driving prices down to - according to them - insupportable levels. My team and I refused to join the cartel, both on principle and because we were the ones intently responsible for the aggressive pricing war. The other teams did gang up to set their prices by agreement and divide the market amongst themselves. However, as I assured my team mates and as was of course perfectly predictable to anybody with a basic understanding of market mechanisms, the cartel was short-lived as several of the



not, it serves a market function. The term 'monopoly price' has no effective meaning in real market settings, which are not snapshots in time but processes of change. A market society needs no antitrust policy at all; indeed, *the State is the very source of all the remaining monopolies* we see in education, law, courts, and other areas. Monopoly regulation has caused more harm than good *by protecting particular competitors, not competition*. Regulation against trusts are based on flawed models that fail to understand that some firms gain market share solely because of their products' desirability to consumers" (MI, 1996, emphasis added).

As we come to see, in basing itself on robbery and a negation of self-ownership and negative liberty, any statist - i.e. socialist - measure can only result in more of the same: "l'enfer, c'est les autres" (Sartre, 1943). One cannot *force* something and call it "solidarity" or cooperation, and neither can natural inequality be mitigated through artificial inequality without violating individual rights and proving oneself to be an ignorant fool at best or a malicious demagogue at worst.<sup>223</sup> In the words of Franz Oppenheimer, the State is nothing but the "organization of *the political means*; it is the systematization of the predatory process over a given territory" (Oppenheimer, 1926:24). Crime, "at best, is sporadic and uncertain; the parasitism is ephemeral, and the coercive, parasitic lifeline may be cut off at any time by the resistance of the victims". By contrast, the State "provides a legal, orderly, systematic channel for the predation of private property; it renders certain, secure the lifeline of the parasitic caste in society" (Rothbard, 1974). What the State in other words ultimately does is that it "claims and exercises the monopoly of crime. It forbids private murder, but itself organizes murder on a colossal scale.<sup>224</sup> It punishes private theft, while itself laying unscrupulous hands on anything it wants" through taxation, expropriation and nationalization (Nock, 1929:143). Since *production must always precede predation*, "the free market is anterior to the State. The State has never been created by a 'social contract'; it has always been born in conquest and exploitation.<sup>225</sup> The classic paradigm is a conquering tribe pausing in its time-honoured method of looting and murdering a conquered tribe, to realize that the time span of plunder would be longer and more secure, and the situation more pleasant, if the conquered tribe were allowed to live and produce, with the conquerors settling among them as rulers exacting a steady annual tribute (Oppenheimer, 1926:15). One method of the birth of a State may be illustrated as follows: in the hills of southern 'Ruritania', a bandit group manages to obtain physical control over the territory, and finally the bandit chieftain proclaims himself 'King of the sovereign and independent government of South Ruritania'; and, if he and his men have the force to maintain this rule for a while, lo and behold! A new State has joined the 'family of nations'; the former bandit leaders are transformed into the lawful nobility of the realm" (Rothbard, 1974).

What is the alternative?

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cartel partners after a while realized and decided that it was in their self-interest to break the cartel terms and undersell their former partners; a situation which we had amply anticipated. My team won.

<sup>223</sup> The least racist or sexist environment is the market (Dubner, 2009).

<sup>224</sup> I.e. war.

<sup>225</sup> "Note that 'you do not have to stay and be taxed, you could always move to another country' is not an acceptable retort: one does not *have* to stay in the neighbourhood where a single thug steals one's car either. The fact that some petty crime could be avoided by moving to a different neighbourhood does not excuse the crime or the criminals. If living in a bad neighbourhood does not mean that one consents to a 'social contract' which includes having one's car broken into, then living in the a specific country does not mean that one consents to a 'social contract' which includes coercive and involuntary taxes" (Raphael, 1998).



## 6. In Defence of Defence

The State is all that people of my generation know about. It seems impossible to most to imagine its absence as much as it is impossible to imagine the absence of the moon. The existence of the State has grown into an unquestioned fact of nature; democracy is the religion of the self-proclaimed free thinker and socialism the trademark of the righteous man. Discussion of such things is beyond taboo and ridiculous in itself. Or so one is led to believe.

However, as with other types of dogmatism, the image of the monkey house at the zoo comes to mind: when you first enter into the monkey house, you think, "this place stinks". But after you have been there for twenty minutes you start to think, "it is not so bad", and after an hour it does not smell at all. But make no mistake, anyone entering the monkey house freshly thinks: "this stinks, you have been living in the monkey house".

In the classic movie *The Godfather*, Don Corleone famously made his victims "an offer they could not refuse". However, the simple fact that they cannot refuse it means that it obviously is not an *offer* but a *threat*. So much is clear to anybody who has watched that scene. Unfortunately, the point that was being made "has eluded generations of economists, at least when it comes to the government, as the very same 'offer' is made to the citizenry" on a daily basis (Hoppe, 2003:305). As a tax-funded life-and-property protection agency, "the very institution of government is nothing less than a contradiction in terms. It is *an expropriating property protector*, 'producing' ever more taxes and ever less protection" (Hoppe, 2006).

It is from this basic observation that we arrive at the core of Libertarian thought. If we observe that State interference *always* coincides with a violation of private property and self-ownership - otherwise no intervention would be "needed" - and leads to trouble of various sorts and degrees, one is led to wonder: if more State means more problems and aggression, how small should the State then be? The Libertarian philosopher Robert Nozick posed exactly this question: "individuals have rights, and there are things no person or group may do to them (without violating their rights).<sup>226</sup> So strong and far-reaching are these rights that they raise the question of what, if anything, the State and its officials *may* [morally] do. *How much room do individual rights leave for the State?*" (Nozick, 1974:ix, emphasis added).<sup>227</sup>

By statists and collectivists - ranging from self-proclaimed minarchists, liberals, socialists, fascists, up to and including full-fledged communists - "security" is often

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<sup>226</sup> See the previous Chapters.

<sup>227</sup> I.e., the validity of the authority of a State and its supposed "right" to coercively monopolize the use of force is at its core a question of property rights: "barber B does not have a right to compete with Barber A in Barber A's shop because Barber A's shop is Barber A's property. If [one] wants to use the same argument to justify a government's monopoly of the provision of legitimate force, then he has to be able to make a similar comparison: that legitimate-force-provider B has no right to compete with legitimate-force-provider A in legitimate-force-provider A's geographic area, because legitimate-force-provider A's geographic area is legitimate-force-provider A's property. But surely such a claim cannot be made, since States do not own the land that they claim jurisdiction over. So, it is perfectly true that competition within a given geographic area can be legitimately restricted, if that area is the property of the person restricting the competition. But that observation is of no use in defending government unless the government is the owner of the country it rules over," at which point the whole issue itself becomes ridiculous and obsolete (Garner, 2009:13).

seen as *the* archetypical public good.<sup>228</sup> It is thought to be the most telling instance of the free rider problem, in which people - if they were left free from State enforcement - would supposedly be completely incapable of arranging their own defence, would refuse to pay for security and instead would rely on their neighbours to pay for defending the community; the aggregate of which would supposedly lead to no security being available to anyone at all and everybody bowing to the first malevolent person who sharpens a stick and thereby would come to dominate the world.

Therefore, it is claimed, *State aggression in order to provide security is supposedly justified*. But have we not seen earlier that such free riding *problems* are in fact illusionary and entirely subjective at best, and that the fact that free riding is possible or even occurs does *not* lead to any particular conclusion at all, let alone to a justification for State aggression? And did we not witness how State intervention in order to supposedly "cure" free riding - *as if such a "cure" was warranted in the first place* - in the end only transforms the free riding from a natural *occurrence* to an artificial *problem* on nothing but a *subjective whim*?<sup>229</sup> Murray Rothbard reminded those in doubt that free riders are a frequent occurrence in other aspects of an economy - which is made up out of more things than just defence - and do *not* cause any *objective problems* whatsoever: "are we to be critical because more than one person benefits from someone's actions? [...] In short, am I to be taxed for enjoying the view of my neighbour's well-kept garden? [...] We are all free riders on the past, as we would be living in a primitive society if it were not for the efforts of our ancestors; and we are free riders on the present, because we benefit from the continuing investment of our fellow men and from their specialized skills on the market" (Rothbard, 1962:1037). The fact that security is provided does not mean that one has to pay for it if one never asked for it. The positive externalists "may object that they cannot base their analytic framework on existing markets since, at least according to *their* perspective, there cannot be any market for national defence. In this, they are very much mistaken, as a matter of fact. A large and thriving gun industry, private detective industry, locksmith industry, cyclone-fence industry and insurance industry [as they exist even today], negates the notion that externalities are so powerful (or even that they exist in such fashion) that they can preclude people from defending themselves, organized through markets. But even were there no such industry in existence, the objection that advocates of positive externalities might launch [...] comes to naught. *For in the absence of any conclusive demonstration that people who do not pay for a good or service value it nevertheless, at best this claim must be considered unproven*". The fact that statist of all denominations feel that "others" would not and do not know what is good for them and should therefore be forced in paying for public goods which *the statist* subjectively decides are necessary, bears no relevance or justification for aggression whatsoever: "armed with such an idea, I can approach you with the following claim: 'you, gentle reader, have never hired me as an economic consultant. You have not taken advantage of this marvellous opportunity open to you. However, whether you know it or not, whether you realize it or not, whether you appreciate it or not, you actually benefit from my economic analysis (this goes particularly for those to whom I have made explicit offers of my services; *their very refusal indicates they need it the most*). You are thus a selfish, chiselling free rider on these multifaceted benefits I have long provided for you, gratis. But now it is

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<sup>228</sup> As we have seen, a public good is something that can *supposedly* only be provided "sufficiently" by the State with expropriated funds because of such a public good's non-excludability and non-rivalrous consumption.

<sup>229</sup> See the various examples given earlier.

time to stop you from exploiting me regarding these spill over gains you have long enjoyed for free. It is time for you to pay your fair share! Accordingly, I am hereby presenting you with this bill for US\$ 100,000, a bargain at the price. If you refuse to pay, I will then initiate violence against you'. [...] But you could reply in the same vein to me. All of us could then bill each other for services rendered to any extent we wished: once we have left the Libertarian world of *demonstrated preference*" through free market mechanisms, "anyone can make whatever claim he wishes. We are at sea without a rudder" (Hoppe, 2003:309, emphasis added) and enter the realm of the State and all that comes with it: "and I looked, and behold, a pale horse: and his name that sat on him was Death, and Hell followed with him. And power was given unto them over [...] the earth, to kill with sword, and with hunger, and with death, and with the beasts of the earth" (Revelations 6:8).

For those who have been reading along up to this point, it should come as no surprise that in light of self-ownership and everything that follows from it, one can summarize the Libertarian answer to Nozick's question by saying that "no extent of government or State is justifiable - the existence of *any* government or State is unjust and immoral" (Gartner, 2009:2) for the exact same reasons that other forms of (initiated) aggression, theft and murder are. In other words, in the same way as there is no distinction in goods as to being public or private, it is equally ludicrous to claim that the service of security and defence differs from any other on anything more than a personally subjective level that means nothing to somebody else who disagrees.

Security is to be provided by the market, without State intervention, for the same reasons and along the same lines that butter and car repairs are.<sup>230</sup>

So how would private law and defence with competing producers of security work?

This is an important question: as with many other anarchists I have come across, it was the final obstacle before "evolving" from minarchism to actual anarchism for me personally as well. Hans-Hermann Hoppe, the brilliant anarcho-capitalist thinker to whom I owe much of my own insights regarding the intellectual overcoming of this last economic as well as philosophical hurdle, sagely explained that it should be clear from the outset that "the problem faced is precisely analogous to that of asking how a market would solve the problem of hamburger production, especially if up to this point hamburgers had been produced exclusively by the State and hence no one could draw on past experience. Only tentative answers could be formulated. No one could possibly know the exact structure of the hamburger industry - how many competing companies would come into existence, what importance this industry might have compared to others, what the hamburgers would look like, how many different sorts of hamburgers would appear on the market and perhaps disappear again because of a lack of demand, and so on. No one could know all of the circumstances and the changes that would influence the very structure of the hamburger industry - changes in the demands of various consumer groups, changes in technology, changes in the prices of various goods that affect the industry directly or indirectly, and so on" (Hoppe, 1989b:34).<sup>231</sup> However, this does not mean that there is nothing sensible to say about the subject. If we are to follow our reasoning through, we cannot just stop

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<sup>230</sup> It is here that regular liberalism mistakenly stops and what is known as Libertarianism remains true to the implications of its moral and economic foundations, unambiguously so.

<sup>231</sup> Let alone that democratically elected demagogues could.

here and leave it at that. Our journey throughout these past pages would have been for naught.

Currently, the State has an enforced monopoly on force and unrestrictedly loots the funds for this monopoly from its subjects through compulsory taxation. People are not free to buy into it or not: the monopoly does not come from merit of serving the consumer best, but from coercion and the threat of a gun; whether one lives in Europe or North Korea makes no difference in this regard. But even *if* we forget our argument about public goods for a moment, "even *if* security is considered to be a public good, in the allocation of *scarce resources* it must *compete* with other goods. What is spent on security can no longer be spent on other goods that also might increase consumer satisfaction. Moreover, security is not a single homogeneous good, but rather consists of numerous components and aspects. There is not only prevention of crime, detection of criminals, and enforcement of the law, but there is also security from robbers, rapists, polluters, natural disasters, and so on. Moreover, security is not produced in a 'lump', but can only be supplied in marginal units. In addition, different people attach different importance to security as a whole, and also to different aspects of the whole thing, depending on their personal characteristics, their past experiences with various factors of insecurity, and the time and place in which they happen to live. Now, and here I address *the fundamental economic problem of allocating scarce resources to competing uses*, how can the State - an organization *not* financed exclusively by *voluntary* contributions and the sales of its products but rather by [*forcibly expropriated*] taxes - decide how much security to produce, how much of each of its countless aspects, to whom, and where to provide how much of what? The answer is that *it has no rational way to decide this question*. From the point of view of the consumers, its response to their security demands can only be considered to be wildly arbitrary. Do we need one policeman and one judge, or 100,000 of each? Should they be paid \$100 a month or \$10,000? Should the policemen, however many we might have, spend more time patrolling the streets, chasing robbers, and recovering stolen loot, or spying on participants in victimless crimes such as prostitution, drug use<sup>232</sup>, or smuggling? Should the judges spend more

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<sup>232</sup> Looking at the way States deal with drugs from a free market point of view, it becomes clear that "prohibition causes unnecessary violence, since gangs battle with each other over turf and often kill innocent bystanders. The classic illustration of this phenomenon is the Prohibition-era gangland slayings in Chicago. Nowadays, it would be inconceivable that executives at rival beer companies would try to assassinate each other, but it made perfect sense for Al Capone and his consorts to murder his competitors". Alcohol is no less of a drug than cocaine or marijuana is; if anything it is worse. Alcohol was outlawed and violence over it followed. Alcohol was taken out of illegality and the gang problems were solved. *It was the prohibition which caused the violence*. But no lessons were learned. "When the economist tries to go beyond this general observation to explain *why* prohibition leads to violence, he often says something like this: 'When alcohol or cocaine is illegal, sellers can't rely on the courts or police to protect their property. Consequently they have to arm themselves, and if someone rips them off they have to take matters into their own hands because calling the cops is out of the question'. Such an explanation might sound plausible to a classical liberal, who thinks the government does a good job providing judicial and enforcement services". But to a Libertarian, matters present themselves a bit more clearly. Statists misinterpret such events by saying that "violence is caused by the government's *inaction*, by its refusal to use its monopoly more often. The obvious implication seems to be that if the police never answered *anybody's* calls for help, then society would crumble. This diagnosis has things backwards. The reason drug prohibition wreaks havoc on social relations is that it introduces *more intervention* into the world - the problem is that the government is using its police and courts *too much*. For example, consider an inner-city housing project where drug gangs apparently roam freely, selling on the street corners quite openly and spraying bullets into anyone with the wrong attitude. Most people would think, 'This neighbourhood is in anarchy! If only the callous police would be willing to roll up and enforce the laws. But alas, they are indifferent to the plight of this



time and energy hearing divorce cases, traffic violations, cases of shoplifting and murder, or antitrust cases? Clearly, all of these questions must be answered somehow, because as long as there is *scarcity* and we do not live in the Garden of Eden, the time and money spent on one thing cannot be spent on another. The State must answer these questions, too, but whatever it does, it de facto does this *without being subject to the profit-and-loss criterion*. Hence, its actions are always arbitrary and necessarily involve countless wasteful misallocations from the consumer's point of view.<sup>233</sup> Independent to a large degree of consumer wants, the State-employed security producers instead do, as everyone knows, what *they* like to do. Police officers drive around a lot in cars, hassle petty traffic violators and spend huge amounts of money investigating victimless crimes *that many people (i.e. nonparticipants) do not like but that few would be willing to spend their money on to fight*, as they are not immediately affected by them. Yet with respect to what *consumers* actually want most urgently - like the prevention of hardcore crime (i.e., crimes *with* victims), the apprehension and effective punishment of hardcore criminals, the recovery of loot, and the securing of compensation from the aggressors to victims of crimes - the police is notoriously inefficient, in spite of ever higher budget allocations" (Hoppe, 1989b:35, emphasis added).

More importantly, in assessing arrangements to solve the "problem" of free riding, defenders of taxation and other forms of State aggression effectively "claim to be guided by the principle of *Pareto efficiency*."<sup>234</sup> If they are serious about this efficiency criterion, then any proposed arrangement must surely accord with the preferences of the people involved, *as revealed through their actual behaviour*. It then follows that *the consent and agreement of all parties must be regarded as the sine qua non of Pareto efficiency*. Unfortunately, this is not usually how economic analysis of these problems proceeds. Rather, such analysis is frequently conducted on the basis that the paternalistic would-be social reformer knows more about the preferences of the people involved in a specific situation *than those people do themselves*. In particular, dubious mathematical assumptions are often used to steamroll the implicitly revealed or even explicitly declared preferences of those actually taking the actions - to 'prove', on the basis of a mathematical *model*, that those people are *really* happier under *the economist's* [subjectively] desired arrangement, *even if they may complain to the contrary*. It is dubious to suggest that an arrangement that could be undertaken voluntarily by the parties, but is not, will make them all better off. And it is especially dubious to suggest that such an arrangement must be *imposed* on them by *force*

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community'. Again, this diagnosis is backwards. The neighbourhood is in such dire straits because the police operate there *with impunity*. If the police *truly never enforced any laws in the area*, then no one would have to worry about going to jail for dealing drugs. Outside companies could come in, set up shops with bulletproof windows and well-armed security guards, and sell cocaine and other drugs to the residents for a tiny fraction of the 'street price'. They would soon drive all the drug gangs out of business, as customers would flock to the professionally run business for its low prices and the quality of its products. Now, why doesn't this happen? Because if some businesspeople tried to actually implement the above plan, they would be shut down by the police. Grandmothers and church leaders would complain that a pharmacy can't sell cocaine to teenagers in broad daylight, and the police chief would agree. It wouldn't even occur to businesspeople to try the above because it would be highly *illegal*. [...] It's not the government's unwillingness to protect certain property rights but rather the government's *assault* on private property rights that allows particular communities to remain in a violent equilibrium" (Murphy, 2010).

<sup>233</sup> To which democracy brings no avail at all: those who disagree are still *forced* to pay for something they do not want. But one is not *forced* to buy a television because the majority buys one. See above.

<sup>234</sup> That is, they claim to put forward arrangements that will make at least *some* people better off without *any* detriment to others, in terms of their own happiness.



rather than by their own agreement".<sup>235</sup> The justification for a use of force by an interventionist State does not follow, no matter how one approaches the subject. *The (potential) free riding is already taken into full account by the free market during the voluntary production of private goods and involves no coercion in any shape or form.*<sup>236</sup> "After all, if all parties genuinely stand to gain from some arrangement, according to their *own* preferences, then there is no reason why they should refuse to undertake such an arrangement voluntarily. Or, to put it another way, the *absence* of any voluntary activity by the parties - especially when proposed arrangements are put to the parties and declined - is *prima facie* evidence that there is *no* potential for Pareto-efficient gains. Even if there *were* some arrangement that could be made between the parties to affect such an efficiency gain, it would by no means follow that this arrangement must involve government provision of goods or any other *coercive* measure like taxation. On the contrary," this is the *opposite* of what logic itself dictates. "If *all* of the parties stand to gain, then there is no reason to expect that coercion will be required; there is every reason to expect an entrepreneurial (i.e., non-coercive) solution". Indeed, "*there is a fundamental contradiction between the criterion of Pareto efficiency and the use of force against those who are to be made 'better off'*". Thus, although the 'problem' of free riding does verily identify situations that involve the *potential* for further gains, it most certainly does *not* follow that government provision of goods or other coercive arrangements will improve the situation. Those who advocate coercive arrangements to obtain Pareto efficiency gains are forced to ignore the *revealed preferences of the people involved*" as they are shown in the market without intervention, "and thereby commit a fundamental economic error: by arguing for *coercion* as a means of solving the 'problem' of externalities, they elevate the policy of *forced payment for unsolicited goods* to the status of both a philosophical as well as an economic ideal" (O'Neill, 2007, emphasis added).

Exploring this economic approach further, it becomes clear that "whatever State-employed police or judges happen to do (arbitrary as it must be), they will tend to do poorly because their income is more or less independent of the consumers' evaluations of their services. Thus one observes police arbitrariness and brutality and the slowness in the judicial process. Moreover, it is remarkable that neither the police nor the judicial system offers consumers anything even faintly resembling a *service contract* in which it is laid down in unambiguous terms what procedure the consumer can expect to be set in motion in a specific situation. Rather, both operate in a *contractual void* that over time allows them to change their rules of procedure unilaterally and that explains the truly ridiculous fact that the settlement of disputes between police and judges on the one hand and private citizens on the other is not assigned to an independent third party, but to another policeman or judge who shares employers with one party - the State - in the dispute". By contrast, "as long as there is a *competitive* system, i.e., as long as the producers of security services depend on *voluntary* purchases, most of which probably take the form of service and insurance contracts agreed to in advance of any actual 'occurrence' of insecurity or aggression," instead of arbitrary taxation at gunpoint, "no producer could increase its income without improving services or quality of product as perceived by the consumers. Furthermore, all security producers taken together could not bolster the

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<sup>235</sup> And do note that an agreement by a (democratic) majority of *others* on how one should arrange his affairs does not entail *his* agreement in any way whatsoever.

<sup>236</sup> A crucial line.

importance of their particular industry unless, for whatever reason, consumers indeed started evaluating security more highly than other goods, thus ensuring that the production of security would never and nowhere take place at the expense of the non- or reduced production of, let us say, cheese, as a competing good. In addition, the producers of security services would have to *diversify* their offerings to a considerable degree because a highly diversified demand for security products among millions and millions of consumers exists" in the same way as it exists for other goods and services. "Directly dependent on *voluntary* consumer support, they would immediately be hurt financially if they did not appropriately respond to the consumers' various wants or change in wants.<sup>237</sup> Thus every consumer would have a direct influence, albeit small, on the output of goods appearing on or disappearing from the security market. Instead of forcing a uniform 'security packet' on everyone - a characteristic of State production policy - a multitude of service packages would appear on the market. They would be tailored to the different security needs of different people, taking account of different occupations, different risk-taking behaviour, different needs for protection and insurance, and different geographical locations and time constraints" (Hoppe, 1989b:35, emphasis added). Once more, the story does not end there: besides diversification, "since policemen and judges would be dependent on voluntary consumer support, any instances of maltreatment of consumers, of impoliteness or ineptness could cost them their job. Further, the peculiarity that the settlement of disputes between a client and his business partner is invariably entrusted to the latter's judgment, would almost certainly disappear from the books, and *conflict arbitration by independent parties* would become the standard offered by producers of security. Most importantly, in order to attract and retain customers the producers of such services would have to offer contracts that would allow the consumer to know what he was buying and enable him to raise a valid, intersubjectively ascertainable complaint if the *actual performance* of the security producer did not live up to the contract.<sup>238</sup> And more specifically, insofar as they are not individualized service contracts where payment is made by a customer for covering his own risks exclusively, but rather insurance contracts proper that require pooling one's own risks with those of other people, contrary to the present statist practice, these contracts most certainly would no longer contain any deliberately built-in redistributive scheme favouring one group of people at the expense of another. Otherwise, if anyone had the feeling that the contract offered to him required his paying for other people's peculiar needs and risks-factors of possible insecurity," against his own volition - "that is, that he did not perceive as applicable to his own case - he would simply reject signing it or discontinue his payments" (Hoppe, 1989b:37, emphasis added).

While most of this seems reasonable enough for most people who have seriously pondered the argument above, one question always remains as the ultimate obstacle to finally cut through the otherwise apparent paradoxes. Would a competitive system of security production not *necessarily* result in total chaos permanent social conflict?

Clearly, it would not. First, "it should be noted that such an impression would by no means be in accordance with historical, empirical evidence. Systems of competing courts have existed at various places (e.g., in ancient Ireland or at the time of the Hanseatic League) before the arrival of the modern Nation State, and as far as we

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<sup>237</sup> In the exact same way as is the case with other companies. Also remember the example of radio.

<sup>238</sup> As opposed to the vague promises of unaccountable politicians and State bureaucrats.

know they worked well. Judged by the then existent crime rate (crime per capita), the private police in the so-called Wild West (which incidentally was not as wild as some movies imply) were relatively more successful than today's State-supported police.<sup>239</sup> Turning to contemporary experience and examples, millions upon millions of international contacts and contracts exist *even now* - contacts of trade and travel; and it certainly seems to be an exaggeration to say, for instance, that there is more fraud, more crime, more breach of contract there than in domestic relations. And this, it should be thoroughly noted, *without there being one big monopolistic security producer and lawmaker*.<sup>240</sup> Finally it is not to be forgotten that *even now*, in a great number of countries there are various private security producers alongside the State: private investigators, insurance detectives, and private arbitrators. Their work confirms the thesis that they are *more*, not less, successful in resolving social conflicts than their 'public' counterparts," otherwise they simply would not exist. However, "this historical evidence is very much subject to dispute, in particular regarding whether any general information can be derived from it. Yet there are systematic reasons, too, why the fear expressed by the question is not well-founded. Paradoxical as it may seem, establishing a competitive system of security producers implies erecting an institutionalized incentive structure to produce an order of law, and law-enforcement that embodies the highest possible degree of consensus regarding the question of conflict resolution. Such a structure will tend to generate *less* rather than more social unrest and conflict than would occur under monopolistic auspices". In order to understand this superficial paradox, "it is necessary to take a closer look at the only typical situation that concerns the sceptic and that allows him to believe in the superior virtue of a monopolistically organized order of security production: when a conflict arises between A and B, both are insured by different companies and the companies cannot come to an immediate agreement regarding the validity of the conflicting claims brought forward by their respective clients (no problem would exist if such an agreement were reached or if both clients were insured by one and the same company-at least the problem then would not be different in any way from that emerging under a statist monopoly). Would not such a situation always result in a shoot-out? This is highly unlikely. First, any violent battle between companies would be *costly and risky*, in particular if these companies had reached a respectable size. More importantly, under a competitive system with each company dependent on the continuation of purely *voluntary* consumer payments, *any battle would have to be deliberately supported by each and every client of both companies*. If there were only one person who withdrew his payments because he was not convinced a battle was necessary in the particular conflict at hand, there would be immediate *economic* pressure on the company to look for a *peaceful* solution to the conflict.<sup>241</sup> Hence *any competitive producer of security would be extremely cautious about engaging in violent measures in order to resolve conflicts*. Rather, to the extent that it is peaceful conflict resolution that consumers want, each and every security producer would go

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<sup>239</sup> See (Anderson et al., 1979).

<sup>240</sup> International law "was originally purely private, growing out of the need of merchants and traders everywhere to protect their property and adjudicate disputes. Examples are admiralty law and the law merchant. The rules emerged voluntarily and were not imposed by any international super-State" (Rothbard, 1974: Ch.3).

<sup>241</sup> Compare this to what happens when the State apparatus decides to go to war, in spite of what the population wants and in spite of the burdens placed on them. Vietnam, the World Wars and contemporary Iran and Iraq quickly come to mind. Contrast this with the State's policy of engaging in battles without having everyone's deliberate support because it has the ability to tax people; and ask yourself whether the risk of war would be lower or higher if one had the option to stop paying taxes as soon as one had the feeling that the State's handling of foreign affairs was wrong" (Hoppe, 1989b:46).

to great lengths to provide it to its clients and to establish in advance, for everyone to know, to what arbitration process it would be willing to submit itself and its clients in case of a disagreement over the evaluation of conflicting claims. And as such a scheme could appear to the clients of different firms to be working only if there were agreement among them regarding such arbitrational measures, a system of law governing relations between companies that would be universally acceptable to the clients of all of the competing security producers would *naturally* evolve" in the same way and for the same reasons that language did. Moreover, "the economic pressure to generate rules representing a consensus on how conflicts should be handled is even more far-reaching. Under a competitive system, the independent arbitrators who would be entrusted with the task of finding peaceful solutions to conflicts would be dependent on the *continued* support of the two disputing companies insofar as the companies could and would select different judges if either one of them were sufficiently dissatisfied with the outcome of the arbitration work. Thus, these judges would be under pressure to find solutions to the problems handed over to them [...] that would be acceptable to all of the clients of the firms involved Otherwise one or all of the companies might lose customers, thus inducing those firms to turn to different arbitrators the next time they were in need of one" (Hoppe, 1989b:39).<sup>242</sup>

However, would it perhaps not be possible under a competitive system for a security producing firm to over time become a so-called *outlaw company* - a firm, that is, which, supported by its own clients, started aggressing against others? Certainly, "there is no way to deny that this *might* be possible, though again it must be emphasized that here one is in the realm of empirical social science and no one could know such a thing with *certainty*. But the tacit implication that *the possibility* of a security firm becoming an outlaw company somehow indicates a severe deficiency in the philosophy and economics of a pure capitalist social order is entirely fallacious" (Hoppe, 1989b:39). Of course, "some of the private defence agencies will become criminal, just as some people become criminal now. But the point is that in a Stateless society there would be no regular, *legalized* channel for crime and aggression, no government apparatus the control of which provides a secure monopoly for invasion of person and property."<sup>243</sup> [...] To create such an instrument *de novo* is very difficult, and, indeed, almost impossible; historically, it took State rulers centuries to create a functioning State apparatus" (Rothbard, 1962:1054). More importantly, the State as

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<sup>242</sup> Again, "contrast this with State-employed judges who, because they are paid with taxes and are thereby independent of consumer satisfaction, can pass judgments that are clearly not acceptable as fair by everyone; and ask yourself if the risk of not finding the truth in a given case would be lower or higher if one had the possibility of exerting *economic pressure* whenever one had the feeling that a judge who one day might have to adjudicate in one's own case had not been sufficiently careful in assembling and judging the facts of a case, or simply was an outright crook" (Hoppe, 1989b:46). Compare this to what happens in Belgium for example with early releases from jail for rapists and violent criminals, who might not even get punished at all due to the deplorable state of the judicial system that has no economic accountability whatsoever as it gets funded by (more and more) taxes anyway. See (FOJ, 2006) and an example of the results in (De Standaard, 2010).

<sup>243</sup> Contemporary examples of the absence of a State are hard to come by, but one case - Somalia - was studied extensively and led to the expected positive results: "Somalia's government [...] did more harm to its citizens than good. The government's collapse and subsequent emergence of statelessness opened the opportunity for Somali progress. The data [of event studies] suggest that while the state of this development remains low, on nearly all of 18 key indicators that allow pre- and post-stateless welfare comparisons, Somalis are better off under anarchy than they were under government. Renewed vibrancy in critical sectors of Somalia's economy and public goods in the absence of a predatory State are responsible for this improvement". For more information on this particular subject, see the interesting (Leeson, 2006).



we know it today *is* what an outlaw company *might* be: in doing away with the State one would trade the *certainty* of aggression - as it is evident today - by the *possibility* as it is dubiously predicted, ironically and not surprisingly, by the defenders of the *current aggressor*. Simply put, *the objection that a tyrant "might" take over is actually a devastating argument against democracy and the State,*" not against the market (Tannehill, 1970:115).

In this regard, "it should be recalled that any social system, a statist-socialist order no less than a pure market economy, is dependent for its continued existence on public opinion and that a given state of public opinion at all times delimits what can or cannot occur as well as what is more or less likely to occur. The current state of public opinion in West Germany, for instance, makes it highly unlikely or even impossible that a statist-socialist system of the Soviet type could be imposed on the West German public. The lack of public support for such a system would doom it to failure and make it collapse. And it is even more unlikely that any attempt to impose a Soviet-type order could ever hope to succeed among Americans, given American public opinion.<sup>244</sup> Hence, in order for us to see the problem of outlaw companies correctly, the above question should be phrased as follows: how likely is it that any such event would occur in a given society with its specific state of public opinion? Formulated in this way, it is clear that the answer would have to be different for different societies. For some, characterized by socialist ideas deeply entrenched in the public, there would be a greater likelihood of the *re-emergence* of aggressor companies, and for other societies there would be a much smaller chance of this happening. But then, would the prospect of a competitive system of security production in any given case be better or worse than that of the continuation of a statist system? Let us look, for instance, at the present-day United States. Assume that by a legislative act the State had abolished its artificially monopolized right to provide security with tax funds and a competitive system of security production was introduced. Given the state of public opinion, how likely would it then be that outlaw producers would spring up, and what if they did? Evidently, the answer would depend on the reactions of the public to this changed situation. Thus, the first reply to those challenging the idea of a private market for security would have to be: *what about you? What would your reaction be? Would you then go out and engage in trade with a security producer that aggressed against other people and their property, and would you continue supporting it if it did? Certainly the critic would be much muted by this counterattack. But more important than this is the systematic challenge implied in this personal counterattack. Evidently, the described change in the situation would imply a change in the cost-benefit structure that everyone would face once he had to make his decisions.* Before the introduction of a competitive system of security production, it had been *legal* to participate in and support State aggression. Now such an activity would be an illegal (immoral) activity. Hence, given one's conscience, which makes each of one's own decisions appear more or less costly, i.e., more or less in harmony with one's own principles of correct behaviour, support for a firm engaging in the exploitation of people unwilling to deliberately support its actions would be more costly now than before. Given this fact, it must be assumed that the number of people, among them even those who otherwise would have readily lent their support to the State, who would now spend their money to support a firm

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<sup>244</sup> For example, resulting chiefly from current President Barack Hussein Obama's socialist policies, one sees the emergence of the so-called Tea Party protests, which are a series of coordinated protests across the US beginning in early 2009; see for example (Tapscot, 2009), (Servatius, 2009). The protests are part of a larger anti-tax political movement that has existed for quite some time now.



committed to honest business. By contrast, the number of people still committed to a policy of exploitation, of gaining at the expense of others, would fall. Accordingly, security producing firms committed to the philosophy of protecting and enforcing Libertarian law would attract the greatest bulk of public support and financial assistance.<sup>245</sup> And while it may be true that some people, and among them especially those who had profited from the old aggressive socialist order, might continue their support of a policy of aggression, it is very unlikely that they would be sufficient in number and financial strength to succeed in doing so. Rather, the likely outcome would be that the honest companies develop the strength needed - alone or in a combined effort and supported in this effort by their own *voluntary customers* to check any such emergence of outlaw producers and destroy them wherever and whenever they came into existence" (Hoppe, 1989b:40). If a customer does not like a company's service or distrusts its goals, that customer is free to take his business elsewhere, to start his own competitive company or to simply do without the service.

In addition, *in logical accordance with natural free market mechanisms*, insurance companies would assume a particularly important role in checking the emergence of outlaw companies: "insurance companies, a very important sector of any free economy, would have a special incentive to dissociate themselves from any aggressor and, in addition, to bring all their considerable business influence to bear against him. Aggressive violence causes value loss, and the insurance industry would suffer the major cost in most such value losses. An unrestrained aggressor is a walking liability, and no insurance company, however remotely removed from his original aggression, would wish to sustain the risk that he might aggress against one of its own clients next. Besides, aggressors and those who associate with them are more

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<sup>245</sup> Also, private defence agencies, as with other sectors of a free market economy, would have to treat their soldiers better than State militaries do. Given a limited supply of labour, "firms would compete to offer attractive benefit packages. Bad working conditions would not be tolerated by soldiers in a competitive market; the damage to the firm's reputation would lead soldiers to go to other private defence companies, and firms arbitrarily sending their soldiers into harm's way unnecessarily would face higher labour costs to compensate for the risk and might have trouble recruiting and retaining high quality servicemen and maintaining high morale" (Tannehill, 1970:109). In other words, they would have an added incentive to only engage in wars necessary for the defence of their customers instead of arbitrary aggression. For example, "the object of the 'laws of war' during the commercially thriving Renaissance was to limit inter-State destruction *to the State apparatus itself*, thereby preserving the innocent 'civilian' public from the slaughter and devastation of war. The object of the development of neutrals' rights was to preserve private civilian international commerce, even with 'enemy' countries, from seizure by one of the warring parties. The overriding aim, then, was to limit the extent of any war, and, particularly to limit its destructive impact on the private citizens of the neutral and even the warring countries. The jurist F.J.P. Veale charmingly describes such 'civilized warfare' as it briefly flourished in fifteenth-century Italy: 'the rich burghers and merchants of medieval Italy were too busy making money and enjoying life to undertake the hardships and dangers of soldiering themselves. So they adopted the practice of hiring mercenaries to do their fighting for them, and, being thrifty, businesslike folk, they dismissed their mercenaries immediately after their services could be dispensed with. Wars were, therefore, fought by armies hired for each campaign. For the first time, soldiering became a reasonable and comparatively harmless profession. The generals of that period manoeuvred against each other, often with consummate skill, but when one had won the advantage, his opponent generally either retreated or surrendered. It was a recognized rule that a town could only be sacked if it offered resistance: immunity could always be purchased by paying a ransom. [...] As one natural consequence, no town ever resisted, it being obvious that a State too weak to defend its citizens had forfeited their allegiance. Civilians had little to fear from the dangers of war which were the concern only of professional soldiers' (Veale, 1953:63)" (Rothbard, 1974). How far States have transcended the rules of such comparatively civilized warfare in this century by citizens identifying themselves and their enemies with their respective States (nationalism) and the kind of deplorable consequences this coincides with needs no elaboration here.

likely to be involved in situations of violence and are, thus, bad insurance risks.<sup>246</sup> An insurance company would probably refuse risk coverage to such people out of a foresighted desire to minimize any future losses which their aggression might cause. But even if the company were not motivated by such foresight, it would still be forced to rate their premiums up drastically or cancel their coverage altogether in order to avoid carrying the extra risk involved in their inclination to violence. In a competitive economy, no insurance company could afford to continue covering aggressors and those who had dealings with aggressors and simply pass the cost on to its honest customers; it would soon lose these customers to more reputable firms which could naturally afford to charge less for their insurance coverage" (Tannehill, 1970:110). "Furthermore, certain types of property - airports, bridges, highways, power plants, and of course, military equipment - would be far likelier targets of foreign attack, and their owners would constitute an even *smaller* group to benefit disproportionately from defence expenditures. This heterogeneity would weaken further the 'spillover' character of defence services, making an efficient arrangement all the easier to achieve. Those companies that ended up paying the most might *perceive* the arrangement as 'unfair', but there would nevertheless always *be* an arrangement. The highest contributors might even advertise this fact, much as large corporations make ostentatious donations to charity in order to persuade goodwill" (Murphy, 2002:43).

Remembering Nozick's question posed earlier,<sup>247</sup> and after having discussed the Libertarian answer to it, we might also do well by now examining Nozick's own response, which has often been seen as the holy grail for minarchists and other statists of differing plumage alike.<sup>248</sup> Personally, I have regarded Nozick's argument against anarchy to be the most *potentially* prima facie convincing I have come across over the years as well - even though I disagree with it after having explored it in full.

This discussion would therefore not be complete or intellectually honest without shedding some light on Nozick's ingeniously clever and (undoubtedly) well-meant arguments, which are as far as I am aware of the best that statism has to offer.

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<sup>246</sup> Because of this, one would see the emergence of a natural web of mutual voluntary interests and overlapping protections. It is therefore highly likely that "businesses will tend to pay the bulk of the defence costs (since they stand to lose the most in the event of an attack)," the cost of which they would then pass on to their customers and which would thereby become part of the price of their products and services, so that ultimately 'the costs of defence would be spread out among the whole population' without any State aggression whatsoever (Tannehill, 1970:131). "If Defence Agency A decides to invade a gold warehouse they are left with a complicated problem. The gold warehouse is owned by an entrepreneur who has his own defence agency and the gold in the warehouse also has owners who have hired their own respective defence agencies. In essence, Defence Agency A will have to deal with the wrath of the warehouse owner, the warehouse owner's defence agency and the defence agencies of all the owners of the gold in that warehouse" (Radnitzky, 2003:147). It follows within reason that, given the privatization of other services in an anarchist society, "we must consider that in such an environment, the law-abiding majority would have all sorts of mechanisms at their disposal, beyond physical confrontation. Once private judges had ruled against a particular rogue agency, the private banks could freeze its assets (up to the amount of fines levied by the arbitrators). In addition, the private utility companies could shut down electricity and water to the agency's headquarters, in accordance with standard provisions in their contracts" (Murphy, 2005).

<sup>247</sup> "How much room do individual rights leave for the State?" (Nozick, 1974:ix).

<sup>248</sup> One needs to be able to justify minarchism before being able to justify any more advanced form statism in the same manner that one cannot run before walking. Ironically, in defending the (ultra)minimal State, which is limited to the use of force, Nozick's argument has often been used - by ideologies ranging from classical liberals to communists - to open the door to a State with any other additional and ultimately arbitrary number of "rights" and "responsibilities" which are supposed to progressively trump self-ownership, the non-aggression principle and all that follows from it.

For this I will directly cite the brilliant essay "Minarchy Considered" by Richard Garner (Garner, 2009). There is no point in trying to write the argument more clear than Garner has so eloquently and comprehensively achieved to do. I include the essentials of his essay in my thesis for my readers' convenience and as a tribute to his insightful work.<sup>249</sup>

Nozick agrees about the morality of free market anarchism<sup>250</sup> being the only morally defensible type of human interaction (Nozick, 1974:27). However, he also argues that in such a free market system - otherwise consistent with what has been explained up to this point - after some period of time there would be an agreement among the agencies on a *single appeals court* which would from then on decide over all disputes and thereby supposedly form a State again (Nozick, 1974:122).<sup>251</sup>

Nozick in other words claims that, "as a consequence of the occurrence of these disputes between people or the protection agencies that represent them, from this *state of nature* a Dominant Protection Agency will arise. When disputes between two agencies arise, 'one of three things may occur:

1. In such situations the forces of the two agencies do battle. One of the agencies always wins such battles. Since the clients of the losing agency are ill protected in conflicts with clients of the winning agency, they leave their agency to do business with the winner.
2. One agency has its power centered in one geographical area, the other in another. Each wins the battles fought close to its center of power, with some gradient being established. People who deal with one agency but live under the power of the other either move closer to their own agency's home headquarters or shift their patronage to the other protective agency (the border is about as conflictful as one between States).

Or, finally

3. The two agencies fight evenly and often. They win and lose about equally, and their interspersed members have frequent dealings and disputes with each other. Or perhaps without fighting or after only a 'few skirmishes the agencies realize that, such battling will occur continually in the absence of preventive measures. In any case, to avoid frequent, costly and wasteful battles the two agencies, perhaps through their executives, agree to resolve peacefully those cases about which they reach differing judgments. They agree to set up - and abide by the decisions of - some third party judge or court to which they can turn when their respective judgments differ (or they might establish rules determining which agency has jurisdiction under which circumstances). Thus emerges a system of appeals courts and agreed upon rules about jurisdiction, and the conflict of laws. Though different agencies still operate, there is then only one unified federal judicial system of which they are all component' (Nozick, 1974:16).

Nozick concludes that in each of these cases, almost everybody living in a geographic area will end up under 'some common system that judges between their competing claims and *enforces* their rights'. So, out of anarchy, 'there arises something very much resembling a minimal State or a group of geographically distinct minimal States'. [...] Scenarios 1 and 2

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<sup>249</sup> The full essay itself is nonetheless of course also heartily recommended reading. See the references.

<sup>250</sup> I.e. the absence of a State.

<sup>251</sup> What follows in smaller font (Georgia 11 instead of Georgia 12) is cited from (Garner, 2009) and edited/expanded upon by myself with extra intermittent text, supplementing references and various additional footnotes in order to fit in with the rest of this thesis. See the references for the full article.

assume that violence is likely to be the most common tool that protection agencies use to resolve their disputes". But as we have seen, "it would be 'economically absurd to expect agencies to battle each other physically,' since doing so 'would alienate clients and be highly expensive to boot' (Rothbard, 1998:234). Instead, protective agencies would agree in advance on rules on what to do in case of dispute, and private appeals courts or arbitrators to resolve disagreements on how or when the rules apply. That would make scenario 3 the likely one.

[...] Nozick's claim is not that it is likely that a government *could* arise by means including these, but that it would do so *without violating moral rights*. But Nozick presumes, in his discussion of the state of nature, that each protective agency 'attempts in good faith to act within the limits of Locke's law of nature' (Nozick, 1974:17). But this is problematic [...] in scenarios 1) and 2), because 'in any combat, clearly one of the agencies would be committing aggression' by defending a person that had committed a rights violation (Rothbard, 1998:234). No agency has a right to protect somebody who violates rights, since nobody can have a right to protect against being punished or against being compelled to make restitution that they can employ the agency to enforce (this is different from saying that they have no right to protect against disproportionate punishment, or punishment if they are innocent).

[...] The probability is [...] that scenarios 1) and 2) would not occur, because it would be in the self-interest of those that run or work in the protective agencies to decide on rules to resolve disputes, and take conflicts to third parties. This takes us to scenario 3). But, the minimalist may respond, that would mean accepting that the Dominant Protection Agency is likely to *evolve from market anarchy*, since, from scenario 3) emerges a system of appeals courts and agreed upon rules about jurisdiction, and the conflict of laws. Though different agencies operate, there is one unified federal judicial system of which they are all component.

The trouble with this, though, is that it is entirely unjustified to call the outcome of scenario 3) a dominant protection agency, or 'one unified federal judicial system': *the fact that every dispute is resolved by a third party does not imply that there is a third party every dispute is resolved by*. Protective agency A could resolve disputes it gets into with protective agency B in the court of arbitration company 1, but A might resolve disputes gets into with C in court 2, and D and E in another court entirely. Not only this, but different rules could exist between agencies as to how to resolve different disputes. Court 1 may rule according to one set of rules in disputes between A and B, and a different set to resolve disputes between A and C, whilst E and F have their own rules entirely. So, as Rothbard says, 'the fact that every protective agency will have agreements with every other to submit disputes to particular appeals courts or arbitrators does *not* imply 'one unified federal judicial system'. On the contrary, there may well be, and probably would be, hundreds, even thousands, of arbitrators or appeals judges who would be selected, and there is no need to consider them part of one 'judicial system'. There is no need, for example, to envision or to establish one unified Supreme Court to decide upon disputes. Since every dispute has two and only two parties, there need be only one third party, judge or arbitrator; there are in the United States, at the present time, for example, over 23,000 professional arbitrators, and presumably there would be many thousands more if the present State court system were to be abolished. Each one of these arbitrators could serve an appeals or arbitration function' (Rothbard, 1998:234).

The result of scenario 3), then, is *not* a dominant protection agency. So let us return to 1) and 2), however unlikely they may be. The essence of the argument seems to be that there is an aspect of 'natural monopoly' in the protective agency industry, such that a single provider becomes dominant within a given geographic area. However, again, this may not be likely: in 1972, there were about 250 medium to very small companies offering various security services in the London Metropolitan area alone, and as many private police in England as there were in the regular State police force (Taylor, 1995:63). In the US, in 1977, between 800 and 900 resident patrols operated in urban areas that had a populace of over 250,000 people, and there were 50,000 block watches nationwide. 63 percent were composed of volunteers, 18 percent hired guards, 7 percent paid residents to patrol, and the remaining 12



percent combined paid watchers and volunteers. In 1980, about a quarter of New York City's 39,000 city blocks had functioning block associations 'to compensate for inadequate city services,' almost all of them had some kind of security patrol. Further, in the US in the year 1964, there were 1988 detective agencies and protective service firms, employing 62,170 people. By the year 1981 this number had risen 7126 agencies and firms, employing 331,294. So even though the average size of the firm, in terms of number of employees, had risen (from 31.3 in 1964 to 46.5 in 1981), this still makes them qualify as small to medium sized firms (Benson, 1990:208). So the practical evidence may not support the claim that these economies of scale exist: if they did, surely they would be evident in the real life provision of protective services. However, there may be an obvious comeback: real life protective agencies do not go to war with each other to resolve disputes. Maybe, if conflict between firms was most likely to be how disputes get resolved, the economies of scale would become apparent. Nozick argues that 'the worth of the product purchased, protection against others, is *relative*,' since it depends upon how strong others are. Of course, other goods are likewise comparative, but what distinguishes protection is that 'maximal competing protective agencies' cannot coexist, 'since the nature of the service itself brings agencies not merely into competition with each other for customers' patronage, but also into violent conflict. Thus, 'since the worth of the less than maximal product declines disproportionately with the number who purchase the maximal product, customers will not stably settle for the lesser good, and competing companies are caught in a declining spiral. Hence the three possibilities we have listed' (Nozick, 1974:17).<sup>252</sup>

An argument may be presented that is similar to Nozick's: one of the ways a protective service may be more attractive to clients than competitors merely because most people in that area utilise its services is that it may be able to offer those services to the prospective client more cheaply than a competitor *because* it has most business in an area. For example, it may cost less for a security firm to patrol past your house if it is already patrolling other houses on your street than if it is not doing so. In that case, all else being equal, it would be rational for you to hire the firm everybody else is using. This argument is like Nozick's argument, in that a firm becomes more attractive than a competitor dependent on how many people already use it, but differs slightly, in that it is not that a firm with many customers would be better able to use force against other firms than a firm with only a few customers, but that it will be able to deliver its services more cheaply. In this way, it is similar to the claim that piping gas, or setting up phone lines, or electricity, is a 'natural monopoly'. It will be cheaper to get gas piped to one's house by a company that is already piping gas to one's neighbours than it would be to get it piped by anybody else. For this reason, it is likely that one gas company would be dominant within a geographic area, and, likewise, that one protection agency will be dominant. Of course, the fact that as such there are so many small to medium firms supplying protective services in real life may count against this. However, where streets are patrolled, they tend to be patrolled by just one company. Admittedly, that makes the 'single geographic area' that the dominant agency is dominant over much smaller than what Nozick may have had in mind.

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<sup>252</sup> At the same time one can also look at the current world situation and discover the countless secessionist movements all over the world which contradict the idea that security is a "natural monopoly". Well-known examples from both past and present include post-WWII colonies, the independence of Australia in 1901, the secession of Austria from Nazi Germany in 1945, the secession of Belgium from the Netherlands in 1830, the split of Gran Colombia (into Ecuador, Venezuela, and Colombia) in 1830, the split of the Kalmar Union (into Sweden, Denmark and Norway) in 1905, the independence of Ireland in 1922, the split of Yugoslavia (into Croatia, Slovenia, Macedonia, Montenegro, Serbia, Bosnia and Herzegovina) in 1992, the collapse of the Soviet Union in 1989, the current independence movements in Taiwan, Catalonia, Flanders, Kurdistan, Singapore and Malaysia, Yemen, Pakistan, Sri Lanka, Nepal, Kosovo, Scotland, the United States of America (Alaska, Georgia and Texas in particular), etc. to name a few.



But, we do not get from the Dominant Protective Agency to the minimal *State*, or even an ultra-minimal State, merely by saying that a Dominant Agency could arise: The Dominant Protective Agency is not yet a State, as Nozick himself concedes. This is because the Dominant Protection Agency lacks the essential features of a State. So what does Nozick think these essential features are? Pinning these down, he says, may be harder than people might think: he notes that people in the Weberian tradition treat the State as having 'a monopoly on the use of force in a geographical area', and that such a monopoly is 'incompatible with private enforcement of rights'. But this definition is problematic, since 'a State can exist without *actually* monopolizing the use of force it has not authorized others to use,' since the Mafia use force, the KKK, terrorist cells, street gangs, etc. *Claiming* such a monopoly is insufficient - though maybe necessary - since *you* would not be the State if you claimed a monopoly on the use of force in a given geographic area. Nor is being the sole claimant a sufficient feature - if you were the only one to *claim* you and only you had the right to use force within a given geographic area, that would not make you the State. Likewise, the State's claim to such a monopoly need not be legitimate for it to still be the State.

One possible response at this stage would be to ask why we should not just define the State the same way Hospers and Rand have defined government: an institution with a monopoly on the *right* to use legal or legitimate force. The presence of the Mafia, etc, would not undermine such a monopoly, since the Mafia, presumably, do not use morally *legitimate* force. A possible answer to the suggestion that the State should be defined as having a monopoly on morally legitimate force is that it would mean that if there is no such thing as legitimate force (as some pacifists may hold), then the State not only ought not to exist (as such pacifists are obliged to hold - examples of pacifists that did are Leo Tolstoy and Ghandi), but *does not exist*. This surely must be wrong. It is no objection to the claim that the State monopolizes the legal use of force, though, and continued calls not to 'take the law into your own hands' would affirm this - the law belongs in the State's hands, we are told.

However, let us continue with Nozick's efforts to pin down the conditions that would qualify something as being a State. Whilst acknowledging that 'formulating sufficient conditions for the existence of the State thus turns out to be a difficult and messy task,' he says that we can continue, at least for our purposes, 'by saying that a necessary condition for the existence of the State is that it (some person or organization) announce that, to the best of its ability (taking account of the costs of doing so, the feasibility, the more important alternative things it should be doing, and so forth), it will punish everyone whom it discovers to have used force without its express permission (this permission may be particular permission or may be granted via some general regulation or authorization)<sup>253</sup>' (Nozick, 1974:p24).

Nozick says that the dominant protective agencies fail to meet this condition, since they 'do not make such an announcement, either individually or collectively. *Nor does it seem morally legitimate for them to do so*'. Both the system of protection agencies linked by arbitration agreements, which Nozick *confuses* for a dominant protection agency, and the actual dominant protection agency, 'if they perform no morally illegitimate action, appears to lack any monopoly element and so fails to constitute or contain a State'. A State is claiming a monopoly on deciding who can use force when it says that *only it* may use and *delegate* force, and under which conditions, when 'it reserves for itself the sole right to pass on the legitimacy and permissibility of any use of force within its boundaries,' and claims a right to punish those who breach its monopoly. The monopoly can be violated in two ways: (1) a person or organisation may use force within the State's territories without its permission, or (2) a person or organisation can set itself up as an alternative authority to decide when and by whom a use of force is permissible. It is plain that neither within the system of competing protection agencies linked by arbitration agreements, nor under the dominant protection agency, such a monopoly - i.e. a State - exists.

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<sup>253</sup> As when mercenaries are employed by the State or when parking tickets are being handed out by non-police individuals by authorization of the State.

Some people may question this. It may be conceded, for reasons I have given, that under Nozick's 'third scenario' under which protection agencies agree to use impartial third parties to resolve disputes, etc. that no 'dominant protection agency' has arisen, and so no monopoly exists. However, what about the other scenarios, where single protection agencies capture all of the business of protecting people in particular geographic areas? Well, Nozick's argument as to why a dominant agency might arise in these cases is the same sort of argument that piping gas is a supposed 'natural monopoly': in Nozick's argument, if a firm has a good deal of customers already, then it will be able to offer you a better service for your money than will a competitor for the same price, since, Nozick assumes, the relative strength of firms counts towards their ability to provide a good product, and the relative strength of a firm against others will be higher if it already has a high number of clients. (Is this necessarily true, though? Might not a firm with a smaller number of much richer clients be able to do as well?). Likewise, a gas company that already has a good deal of business in a town will be able to pump gas into the town more cheaply than a company that has only a little amount of business in that town, since the larger firm will be able to use its pre-existing pipe network, whilst the smaller one would have to lay more pipe. Eventually, the larger gas company will get all the business in the town, just as, Nozick argues, the larger protection agency will get all the business in a given geographic area.

However, *to claim that this situation involves a monopoly would be erroneous*. A monopoly exists when the firm is able to control the total supply of a resource, and so set its own prices, usually raising them. This is not the case in either of these situations. Just take the example of the gas company: first of all, if it tries to earn what are called monopoly profits by raising prices, then it faces the problem that people will simply consume less gas.<sup>254</sup> All products are, to some greater or lesser degree, substitutes for each other - cans of Coke compete against yachts for consumer's money; and they also compete over time - money spent on a can of Coke today competes against money spent on Coke tomorrow. Most likely, if a gas company raises its prices, people will start consuming less gas, turning on the heating only once a day, sharing bath water, or using fewer hobs when cooking. In the mean time, of course, electricity becomes more attractive: gas heaters will be more likely to be substituted with electric heaters, gas cookers with electric cookers, etc. Even if a single gas company gets all the business piping gas into a town, then, there is an upper limit set on how high it can raise its prices, which will be equal to the lowest price at which the electric company, and subsidiaries, can substitute their goods for those of the gas company, or dependent on it, and also by maximum that consumers are willing to cut down on using either. If it was an electric company that had all the business, then it would find that people started using generators more. They may even share hook-ups.

More importantly, though, there is a sense in which more than one gas company would still be competing in the same geographic area, in the town. That is because companies in other towns, companies not 'dominant' in that town, will still want to pump gas into that town if they can find a way. The dominant firm, then, will again face an upper limit on how high it can raise its prices, namely *the lowest price at which competitors outside the town can pipe gas in*. And competitors outside the town will be continually trying to find ways to reduce that price.

So, 'potential' and 'indirect' competition still keeps firms relatively accountable to consumer sovereignty even if the firm has 100 percent of business in an area. Only if such competition is hampered by coercive restrictions, would the firm be able to control supply and set its own prices. In cities in the US, for instance, it is illegal for utility companies outside a town to compete with the town's gas company - effectively, the 'dominant gas company' in town no longer has an upper limit on how high it can set prices that is determined by how cheaply companies outside the town may pipe gas in. Indirect competition, competition that occurs

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<sup>254</sup> See the difference between free market mechanisms and State-enforced monopolies earlier.

by spending money on substitute products, including future products, can be eliminated by forcing people to spend that money on the monopoly firm's products or present products. States do this by taxing us: we do not have to consume all their products, but we cannot spend money the State wants on competitors or on substitutes if it taxes that money away from us.

We can now see why a dominant protection agency in a specific geographic area would not have a monopoly, and so not be a State, *unless it coercively restricted competition in the way explained*: people can do without protection, and not pay for it. They can also protect themselves, perhaps buying a gun. But most obviously, a lower limit on how low the dominant agency can reduce quality (effectively controlling the supply of good protection), or an upper limit on how high it can raise the price for such protection, *is set by the lowest price at which it becomes profitable for a competitor from outside that geographic area to start supplying protection in that geographic area*. If quality of the dominant agency falls lower than that of a competitor's protection (either from a firm dominant in some other area, or from a start up firm), then the dominant agency will lose business, and other firms will start supplying protection in the same geographic area as it does. Likewise, if its prices rise so high that the lower quality protection of a competitor becomes worth more than the high quality, but high priced protection of the dominant agency, the dominant agency will again lose business. And because the business it loses is business gained either by agencies dominant in other areas, or by start-up firms, *they all have incentives to try to keep that quality or those prices as attractive as they can*, thus keeping the lower limit of quality the dominant agency can provide as high as they can, or the higher price it can charge as low as they can. *Competition, potential or indirect, still restrains the dominant agency, and keeps it from being a monopoly, able to control supply and set its own prices.*

And this is why it is not a State. After all, imagine that if a British citizen, feeling that police protection in the UK was not good enough, called the French *Gendarme* to investigate a burglary, or finding that taxes in the UK were too high, decided to pay taxes to the US government instead and have the FBI protect him, even though he stayed in the UK. The French or US governments would be competing against the British government in the supply of services in the UK in exactly the same way that the dominant agency would be subject to competition in the scenario described above. Clearly, though, no State would ever permit such a thing: it would be a challenge to its *sovereignty*. Likewise, under the dominant agency, if a client thought that his mate would be able to do a better job than the dominant agency at protecting his rights, or, if not better, then at least cheaper, then he could stop paying the dominant agency, and his friend could go into business and he could pay his friend instead. No State, on the other hand, would allow people to stop paying taxes to it for protection and use the funds to pay some start-up security firm (unless that firm had first got a license, maybe).

So, dominant protection agencies are very different from States. But they need not be. They can restrict potential and indirect competition in the ways I have said. In order to become a State, as Nozick defines it, at least in the sense of what he calls an 'ultra-minimal State', they can coercively prevent potential competition, and some forms of indirect competition. This is accomplished by their successfully gaining the conditions Nozick outlines: the dominant agency announces that it will 'punish everyone whom it discovers to have used force without its express permission', threatening and actually using force against other users of force, to deter them from doing so. Some methods of substitution, then, are restricted: whilst people can substitute future products for present products (e.g. by cutting down in the amount of police protection they use, by calling out the cops less frequently, perhaps), or even for other goods entirely, by not consuming any protection at all, they cannot substitute for, say, self-defence, unless permitted or forgiven for doing so by the dominant protection agency. More importantly, though, agencies dominant in other areas, or start up agencies, would be forbidden from providing protection in the same area as the dominant protection agency. The French government would be punished for providing police protection to people in the UK.

*Until the dominant agency has these features it is not a State:* 'a system of private protection, even when one protective agency is dominant in a geographical territory, appears to fall short of a State. It apparently does not provide protection for everyone in its territory, as does a State, and it apparently does not possess or claim the sort of monopoly over the use of force necessary to a State. In our earlier terminology, it apparently does not even constitute an ultraminimal State' (Nozick, 1974:51).

Readers will notice another condition for Statehood here that the dominant agency lacks: providing protection for *everyone* in its territory. I have not discussed this condition, since it is not clear that Nozick really regards it as a condition of Statehood. Firstly, I see no reason why he should. If a State fails, or does not even intend to protect everybody in its territory, it is surely still a State. Why, it could withhold protection from everybody in its territory and still be a State. There are surely examples from history of States that have withheld protection of various peoples within their boundaries (failure to protect against ethnic cleansing in the Sudan springs to mind).<sup>255</sup> Secondly, Nozick also distinguishes between the minimal State and the ultraminimal State in a way that suggests that a State that fails to protect everybody within its territory is still a State, albeit an ultraminimal State. Nozick writes: 'an ultraminimal State maintains a monopoly over all use of force except that necessary in immediate self-defence, and so excludes private (or agency) retaliation for wrong and exaction of compensation; but it provides protection and enforcement services *only* to those who purchase its protection and enforcement policies. People who do not buy a protection contract from the monopoly do not get protection. The minimal (*night-watchman*) State is equivalent to the ultraminimal State conjoined with a (clearly redistributive) Friedmansque voucher plan, financed from tax revenues. Under this plan all people, or some (for example, 'those in need'), are given tax-funded vouchers that can be used only for their purchase of a protection policy from the ultraminimal State' (Nozick, 1974:26).

Thus the *minimal* State differs from the *ultraminimal* State, in that it provides protection to *everybody*, whether to those that use their own cash, either in subscriptions or taxes, to pay for their own protection, or to those that use vouchers funded from taxes to buy a subscription. One can think of variations on this theme that would produce alternatives between the ultraminimal State and the minimal State, of course. One possibility is that there are no tax revenues. Since Nozick has nothing good to say about taxes throughout the rest of his book, it is odd, and perhaps in error, for him to raise them here, though he does have an argument as to why they might be legitimate in order to fund these vouchers. But we could imagine that the State were funded entirely without taxes, perhaps by selling advertising ('This tank brought to you by Coca-Cola, Ltd', 'Twelfth Precinct police station, in association with Esso', etc.), or by collecting donations, or by charging a fixed fee for the privilege of becoming a 'public servant' and holding office, or running lotteries, or a combination of these methods and others. If the State were to be funded by these means, it would avoid anarchist objections to its revenues being used to protect everybody - after all, people are then not *forced* to pay for the protection of others. (One way they may be said to be being forced, of course, is if the fees for protection were set high enough to pay for everybody, and at the same time the State coercively prohibited all alternatives to either buying its services or not being protected at all).

Also, since a State is an institution that monopolises the right to *permit* and delegate the use of force over a geographic area, and punishes only those who use force without its *permission*, it could permit some private provision of the use of force, license it in a sense (perhaps using a license fee to pay for the vouchers, although this may again be said by libertarians to be unjust, since it would be using force not just to enforce its monopoly but also to charge a license fee, this second feature lacking justification), possibly not providing any police protection itself (other than to prevent unlicensed agencies from using force, and to prevent licensed agencies using it outside of the grounds under which the license was

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<sup>255</sup> Or as we have seen earlier in the case of Zimbabwe and Venezuela. Also see (Courtois et al., 1999).



granted). People could then hire the licensed agency of their choice, spending either their money, or a State-granted voucher. Under such a system everybody is provided protection, and some of it is paid for by the State, and the State retains the relevant monopolistic features, but not all protection is provided by the State (except insofar providers have been licensed by the State to do so).

Nozick believes that an ultraminimal State is *morally required* to move from being an ultraminimal State to a minimal (night-watchman) State, that provides for the protection of everyone. However, since neither the system of competing protection agencies, nor the dominant protection agency constitute a State, he needs to show how it would be morally correct to move from the Statelessness of the competing system or the dominant agency, to the ultraminimal State at least.

Why might this be an issue; what would be wrong with having a State? Here, Nozick shows a familiarity with the libertarian anarchist's position. In order for a minimal State to be a minimal State, it must monopolise the *moral right* to permit the use of force in a given geographic area, and also provide protection for everybody within its borders. But the individualist anarchist 'holds that when the State monopolizes the use of force in a territory and punishes others who violate its monopoly, and when the State provides protection for everyone by forcing some to purchase protection for others, it violates the moral side constraints on how individuals may be treated. Hence, *the State itself is intrinsically immoral*' (Nozick, 1974:51).

Defenders of the State grant that under certain circumstances it is morally legitimate for the State to use force, that it is morally legitimate for it to punish people that violate the rights of others. But granting that such a use of force is morally legitimate begs the question of why the State is on top of that morally justified in forbidding the *private* (morally just) exaction of justice by people who have had their rights violated, or agents acting on their behalf. '*What right does the private exacter of justice violate, that is not violated also by the State when it punishes? When a group of persons constitute themselves as the State and begin to punish, and forbid others from doing likewise, is there some moral right these others would violate that they themselves do not? [...] If the private exacter of justice violates no one's rights, then punishing him for his actions (actions the State officials also perform) violates his rights and hence violates his moral side constraints. Monopolizing the use of force, then, on this view, is itself immoral*' (Nozick, 1974:51).

It should be understood that this anarchist demonstration is not that just any use of force should not be prevented by the State. On a moral level, unjust uses of force should not be permitted to compete with just uses of force, but competition is morally permitted in the provision of just force. The anarchist still says that *unjust* uses of force is morally prohibited, and so also thinks that if a private exacter of justice (an individual, or perhaps a protection agency) were to use force unjustly then it would be legitimate for the State to (justly) punish this transgressor" as it would be legitimate for anybody else to do so, State or not. But here is the kicker: "*an anarchist merely also says that (a) it would be equally legitimate for anybody else to (as justly) punish the transgressor, and (b) that if the State itself were to use force illegitimately in a moral sense, the same then applies - it would be morally legitimate were the victim, or an agent of the victim, to (justly) punish the transgressors, as anybody else would be punished. But were this to be the case then there would be no monopoly on the legitimate use of force - anybody would be morally and factually able to set up and start providing legitimate force - and consequently, there would be no State. The institutions punishing others for rights violations or illegitimate uses of force would not be States.*

The further objection that Nozick supposes that the libertarian anarchist will raise is that if the State provided protection for everybody, it would [de facto] be forcing some to provide for others, a form of 'redistribution through the tax system'. As Nozick says, a peaceful person minding his own business is not violating the rights of others. 'It does not constitute a



violation of someone's rights to refrain from purchasing protection for him (that you have not entered specifically into an obligation to buy)'. So when the State threatens somebody with punishment for not paying for the protection, either of himself, or for anybody else, it, and its officials, violates that individual's rights. After all, if a person had a 'right' that others pay for their protection, then such a right would be incompatible with those others having rights to their money, or at least any rights to do things with that money that would not include buying protection for others when those others wanted it. Threatening to punish people for not paying you to protect them is what Mafia protection rackets and States as we know them today do. Threatening to punish people unless they buy things for you or give you the means to buy them yourself is what robbers, thieves and extortionists do. All these things are things most of us think should be prohibited, and, ironically, we would call for at least a minimal State to do just such prohibiting. Moreover, Nozick argues later on that '*taxation of earnings is on a par with forced labour*' since 'taking the earnings of  $n$  hours labour is like taking  $n$  hours from the person; it is like forcing the person to work  $n$  hours for another's purpose' (Nozick, 1974:169). When others force you to do certain work, or unrewarded work, for a certain amount of time, they decide what it is you can do *with yourself* and what purpose this *use of yourself* is to serve apart from your own decisions. 'This process whereby they take this decision from you makes them a *part-owner* of you; it gives them a property right in you. Just as having such partial control and power of decision, by right, over an animal or inanimate object would be to have a property right in it' (Nozick, 1974:172)", thereby violating your intrinsic self-ownership.

"Theft, robbery, racketeering, forced labour, and treating people like chattel, are, in this view, then, all what would be involved in forcing, through taxation, you to pay for the protection of others. If, that is, 'you have not entered specifically into an obligation to buy' that protection for them. Nozick tries to argue that people may be thought of as having entered into such an obligation, not contractually, but as a debt for compensation owed to those prohibited by the ultraminimal State from exacting justice themselves, or from using private protection agencies to exact justice on their behalf. Thus Nozick believes that it is not illegitimate to tax those on behalf of whom the ultraminimal State prohibits competition against itself in the provision of legitimate force, since those people that would have used such alternative sources of legitimate force are entitled to compensation for being so prevented, and the clients of the ultraminimal State owe it to them. Thus, if this argument works, Nozick may be able to show how it is legitimate to move from an ultraminimal State (one that merely monopolises the right to permit the use of force in a geographic area) to a minimal State (one that also protects *everybody* within its borders). However, if he cannot justify moving from anarchy in the first place - either with competing protection agencies or with dominant protection agencies - to the ultraminimal State, the move from ultraminimal to minimal would itself be a priori pointless. Thus he needs to show that it would be morally legitimate to move from anarchy to the ultraminimal State first; morally legitimate to prohibit others from using force that it would supposedly be legitimate for the State to use.

Take the ways in which the ultraminimal State's monopoly on force may be violated: A dominant protection agency from another area might start protecting people within the ultraminimal State's territory, or a new start up agency from within ultraminimal State's territory might start competing with it, or people may merely defend themselves and not hire any agency or the ultraminimal State. Though in what follows I will tend to have in mind the competition from agencies, I will refer to all of these alternatives to the ultraminimal State/dominant protection agency as 'independents'. Of course, Independents and their customers may be geographically segregated from those of the dominant protection agency in the state of nature. The Dominant Protection Agency could instruct its clients not to rent to customers of Independents, or it could charge higher premiums if its customers move house next door to, or conduct business relationships (etc.) with those of independents, or even pay the neighbours of its clients not to sell or rent to clients of Independents. These things it would probably do if the costs of implementing such policies are lower than the costs of

resolving frequent conflicts between its clients and those of Independents' (or between itself and the Independents), whether by war or by arbitration processes.

However, these costs may well not be low if the clients of the independents are widely dispersed and proliferated amongst those of the Dominant Protection Agency<sup>256</sup>, so what else may the dominant agency do in response to possible competitors? Well, one thing that market anarchists are happy allowing<sup>257</sup> is punishment for falsely punishing people.<sup>258</sup> So Nozick writes that 'an independent would be allowed to proceed to enforce his rights as he sees them and as he sees the facts of his situation', but if it turned out that he had acted wrongly, and punished the wrong person, 'members of the protection association [...] would punish him or exact compensation' (Nozick, 1974:55). However, Nozick points out that it may be the case that the victim of a miscarriage of justice may be severely injured or killed. 'Must one wait to act until afterwards? Surely there would be some probability of the independent misenforcing his rights, which is high enough (though less than unity) to justify the protective association in stopping him until it determines whether his rights indeed were violated by its client? Would this not be a legitimate way of defending its clients? [...] Is it not within a person's rights to announce that he will not allow himself to be punished without its first being *established* that he has wronged someone? May he not appoint a protective association as his agent to make and carry out this announcement and to oversee any process used to try to establish his guilt' (Nozick, 1974:56)?

Nozick in short argues that people have '*procedural rights*'. 'The person who uses an unreliable procedure acting upon its results imposes risks upon others, whether or not his procedure misfires in a particular case', and procedural rights protect against this risk. The morally problematic aspect of this position, though, is that it asserts that not merely may people be punished for violating rights, but they may be punished if their actions *might* violate rights. Many libertarians have rejected this argument for this reason. At the extreme, Murray Rothbard points out that I may be much more at risk of being a victim of crime by a black, teenage male than anybody else. If we can compensate them when we do so, would Nozick's argument not justify locking people up for being black, male and a teenager (Rothbard, 1998:239)? Or, for instance, how can Nozick reconcile his libertarianism, notably opposition to the drug war, with the idea that people can be punished if their actions *might* violate rights? Someone whacked out on PCP or crack cocaine is probably a risk to others, so surely Nozick's argument justifies prohibiting people from taking PCP or crack"? The mere fact of being alive causes risks towards others.

"Another point is that the notion of 'procedural rights' like a 'right to a fair trial' evokes the concept of '*positive rights*', a concept which libertarians reject.<sup>259</sup> To have a positive right to something entails that somebody, or perhaps everybody, has a duty to provide me with that thing, or whatever I need to secure it. So, if I have a positive right to life, then others have to give me what I need to stay alive. A negative right to life, on the other hand, does not carry this implication. It is essentially a right to *non-interference*, requiring not that people give me the means to live, but simply refrain from doing things that would kill me or put my life in jeopardy. Positive rights correspond to (some) duties that others engage in a course of action;

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<sup>256</sup> "It is perfectly true that voluntary taxation would not necessarily prevent the existence of five or six 'States' in England, and that members of all these 'States' might be living in the same house. What of it? There are many more than five or six Churches in England, and it frequently happens that members of several of them live in the same house. There are many more than five or six insurance companies in England, and it is by no means uncommon for members of the same family to insure their lives or goods against accident or fire in different companies. Why, then, should there not be a considerable number of defensive associations in England, in which people, even members of the same family, might insure their lives and goods against murderers or thieves" (Tucker, 1897)?

<sup>257</sup> Because it is morally justifiable.

<sup>258</sup> See also (Rothbard, 1970:267) and (Tannehill, (1970:110).

<sup>259</sup> See Chapter 1.

negative rights correspond to (some) duties that others forebear from some courses of action. This distinction, of course, depends on a clear distinction between acts and omissions, causing harm and refraining from harming.

Why reject positive rights? The answer is that if we allow positive rights, then we face the likelihood that clashes of rights will be common. One easy example, for instance, might be that if I am starving and you have some spare food, a positive right to life would entail that I have a right to your food. But the food is *your* food still, and so you have rights to it. If you do not want to hand it over, then we have a clash of rights. This is even clearer if, for some reason, I am unable to cook, and the food would be inedible unless cooked, and you can cook. A positive right to life, in that case, would entail I would have a right that you cooked for me. This right would clash with any right you would have not to work for people you have not agreed to work for. In both of these cases one right has to give way. The problem gets even more complicated, though, when we note that positive rights can clash with other positive rights. For instance, suppose you and I are both starving, but there is only food enough for one of us. My positive right to life would entail you should give me the food. But your positive right to life entails I have as duty to give it to you. In either case, neither of us can act within our rights without violating the rights of the other.

Libertarians then, for these reasons and others,<sup>260</sup> hold that 'basic' rights should be seen as negative rights about non-interference, or non-intervention, not positive. They can hold that some rights are positive, but these are not 'basic' rights. They are rights created by contractual agreements, for example, or as debts owned by wrongdoers to their victims. But the 'right to a fair trial' seems to be a positive right: a positive right to a fair trial entails that somebody, or perhaps everybody, has a duty to give us that fair trial, or the means to get it, whether they like it or not. This will mean clashes with those who have rights to the means to provide that trial who are not willing to give those means up. *For instance, it might entail that lawyers have a duty to represent us, which would clash with any lawyer's right not to work for somebody they have not agreed to work for.* It would also clash with anybody else's positive right to a fair trial that would entail the right to the same lawyer's labour. So Rothbard writes: 'one vital distinction between a genuine and a spurious 'right' is that the former requires no positive action by anyone except non-interference. Hence, a right to person and property is not dependent on time, space, or the number or wealth of other people in society; Crusoe can have such a right against Friday as can anyone in an advanced industrial society. On the other hand, an asserted right 'to a living wage' is a spurious one, since fulfilling it requires positive action on the part of other people, as well as the existence of other people with high enough wealth or income to satisfy such a claim. Hence such a 'right' cannot be independent of time, place, or the number or condition of other persons in society. [...] A 'right' to a less risky procedure requires positive action from enough people of specialized skills to fulfil such a claim; hence it is not a genuine *right*' (Rothbard, 1998:250).

However, I am not sure that rejecting procedural rights is necessary in order to reject Nozick's argument for the justice of transforming the 'dominant protection agency' into an ultraminimal State. Indeed, the notion of procedural rights has at least some *intuitive* appeal, even if it might not be possible to defend it coherently. After all, take an extreme example, an agent from a protection agency may decide that every offense against his clients was a capital offense, and that guilt should be determined at the toss of a coin. I would suspect that most people, intuitively at least, would be opposed to this agent being allowed to do this, and would think that we should be allowed to stop that agent from pulling the trigger on the mere outcome of a coin toss, but should use some more suitable means. On the other hand there is something counterintuitive, also, about procedural rights: sure, we would not want an innocent person to be punished for a crime they did not commit, but do we think that the guilty should not be punished? If a person tosses a coin, heads you are guilty, tails you are not, and applies just punishment to a guilty person because the coin came up heads, what

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<sup>260</sup> See Chapter 1.

right of the guilty person could possibly have been violated? They deserved to be punished and had no right not to be. So what if the procedure that was used is unreliable? Are they entitled to punish the punisher for some reason?

But still, procedural rights have some intuitive appeal. Edward Feser has, in fact, tried to defend them from libertarian criticisms (Feser, 2004:59). Firstly, Feser argues that your procedural right is not a positive right, but is derivable from a negative right. Because we have rights to non-interference, entailed by self-ownership, amongst other things, others have duties not to violate these rights. And, 'it is because I have a duty not to violate your rights that I have a duty to make sure I do not punish you unjustly' (Feser, 2004:60). So, rather than being a positive right to a fair trial, a person's procedural right can just be seen as a corollary to the negative right they hold against others not to be unjustly punished. Sure, it requires positive action, but in some cases all negative rights require positive action: to use Feser's example, your right not to be run over, which is deducible from self-ownership, obliges me to take the positive action of turning my steering wheel to the left or right so my car avoids you.

Procedural rights, then, have some intuitive appeal, and there *might* be some defence of a formulation of them out there which for now remains in the dark. [...] This does not matter, however, since even *if* one were to accept procedural rights, then the conclusions which Nozick draws do not de facto follow. [...] Let us recapitulate: in order for the ultraminimal State to remain a State it must be able to prohibit the independents from arising or competing. And for Nozick to argue that this ultraminimal State was morally justifiable he will have to find some way of justifying this prohibition. His answer, he thinks, comes from the fact that independents, when deciding whether to punish those that wrong them or their clients, may use risky procedures. To take an extreme example, an agent from a protection agency may decide that every offense against his clients was a capital offense, and that guilt should be determined at the toss of a coin. Preventing agencies that might use risky procedures, Nozick argues, may be morally acceptable. However, this proceeds too fast. In practice we get the following possibilities:

1. Independent protection agencies may use risky procedures against people who are not the customers of the dominant protection agency.
2. Independent protection agencies may use the same procedures as the dominant protection agency against its clients.
3. Independent protection agencies may use less risky procedures than those of the dominant protection agency against the clients of the dominant protection agency.
4. The dominant protection agency may use risky procedures against the clients of the independent protection agencies.

In none of these cases would the dominant protection agency's right to protect its customers from risky procedures used by independent agencies justify preventing independent agencies from punishing wrongdoers, and in the latter case, the right to protect against risky procedures would entitle the independent to prohibit punishment by dominant protection agency. Nozick acknowledges this outcome, writing: 'has any monopoly element yet entered our account of the dominant protective agency? *Everyone* may defend himself against unknown or unreliable procedures and may punish those who use or attempt to use such procedures against him' (Nozick, 1974:108).

The flaw in the argument thus far is that accepting the existence of procedural rights that may be defended and whose violation may be punished does not justify the dominant protection agency then claiming that *it* and *only it* should get to use or authorise the legitimate use of force. It only expands our definition of morally legitimate force to include these aspects of procedural rights. We are still left with the question of why anybody else who uses or authorises the morally legitimate use of force should not be allowed to do so. *What*

*are they doing that is impermissible when done by them, and yet permissible when done by the dominant protection agency?*

Let us take two scenarios: firstly, the dominant agency uses a procedure to determine that a client of an independent is guilty of a rights violation against one of its clients, or is deserving of punishment for doing so. In the second scenario, an independent uses a procedure to determine that a client of the dominant protection agency has violated the rights of one of the independent's clients, and is morally deserving of punishment. Suppose that in the first scenario, the client of the independent goes to his agency and tells them that the dominant agency used unreliable and risky procedures to determine his guilt and desert of punishment, and that, as defenders of his procedural rights, his agency ought to defend him against the dominant agency, and punish it when it attempts to enforce its verdict. Nozick says that, 'with regard to its own clients, however, [the dominant agency] applies and enforces these [procedural] rights [- to defend against unknown or unreliable procedures and punish those who attempt to use the procedure against them -] which it grants everyone has. It deems its own procedures reliable and fair. There will be a strong tendency for it to deem *all* other procedures, or even the 'same' procedures run by others, either unreliable or unfair. Since the dominant protective association judges its own procedures to be both reliable and fair, and believes this to be generally known, it will not allow anyone to defend against them; that is, it will punish anyone who does so' (Nozick, 1974:p108).

So we can see, in the first scenario, the dominant agency will try to punish the independent should the independent try to defend its client's procedural rights against the dominant agency, or punish the dominant agency for violating them. This is quite possibly true, but the question is whether it would be morally justified in doing so. The correct answer can only be: 'only if it did not *really* violate the procedural rights of the independent's client'. After all, if *anybody* is entitled to defend against the application of unreliable or unknown procedures against themselves, or to punish their application, and this entitlement can be delegated to *anybody*, and so to an independent agency as much as to the dominant, then when the independent tries to defend its client against the application of unknown or unreliable procedures by the dominant agency, it is doing precisely what Nozick grants it is morally legitimate for the dominant agency to do on behalf of *its* clients. While it is likely that the dominant agency *will* try to prevent the independent from protecting against its procedures, and probably has the power to successfully do so, it still remains true that if it *really did use unreliable and unknown procedures* against the independent's client, then it has no moral *right* to do this thing it is likely nonetheless *able* to do. Its doing so *remains morally unjustified*" for the same reasons and in the same way that we observe with States as we already know them today: *that is the entire point of this discussion against the moral legitimacy of State intervention in the first place.*

In fact, "at this stage of his argument Nozick's argument seems to ultimately collapse into a 'might makes right' type argument (Nozick, 1974:108). He says that the dominant agency 'alone will act freely [meaning with impunity] against what it thinks are defective procedures, whatever anyone else thinks' (Nozick, 1974:109). But this may well be false: if an independent agency applies a non-defective procedure that the dominant agency believes *is* defective, and so prohibits the procedure, the independent *could* try to punish it. Is lack of effective punishment the same as impunity? Regardless, *the question still remains as to why the independent isn't entitled to do this, and why the dominant agency is entitled to prevent it.* The mere believing by the dominant agency - which is then a State - that its procedures are legitimate and those of its competitors are defective does not actually make these claims the case, and only if they are in fact the case could procedural rights justify prohibiting the procedures, or punishing those that apply them, and punishing those that attempt to stop the prevention of their application. Nozick seems to be assuming that if the dominant agency thinks its procedures are known and reliable, then they actually are, and if it thinks those of its competitors are unknown and unreliable, then they actually are. *This is clearly not true.* Thinking something does not make that something true.



On the 'might makes right' vein, again, Nozick says that 'the dominant agency's strength leads it to be the unique agent acting across the board to enforce a particular right. It is not merely that it *happens* to be the only exerciser of a right it grants that all possess; the nature of the right is such that once a dominant power emerges, it alone will actually exercise that right. For the right includes the right to stop others from wrongfully exercising the right, and only the dominant agency will be *able* to exercise this right against all others' (Nozick, 1974:109). The 'able' here is meant to be literal, and not a variation of 'morally entitled' or some equivalent. It is, then, an empirical claim which may or may not be true, depending on how successful an independent may be in enforcing the right to stop the dominant agency wrongfully exercising the right to punish against risky procedures. But this is important, since even if it is conceded that only the dominant agency *can* protect against occasions of the wrongful exercising of the right to punish the dominant agency for violating procedural rights, it does not follow that it *ought* to be the only agency that can do so. Nor does it follow that it has a *morally legitimate right* to prevent independents *rightfully* exercising the right to prevent the dominant agency from punishing those who apply procedures it deems unknown and unreliable (in cases when what *it* - the State - deems to be unknown and unreliable - i.e. the proceedings by independents - is not what is actually unknown and unreliable, but the State's procedures are).

To reiterate, *all* which Nozick has done, in introducing the notion of procedural rights, is to expand on the definition of morally legitimate force, not to explain why it is justifiable for a single institution to have a monopoly on using or authorising the use of this morally legitimate force" or how this would arise through morally legitimate market mechanisms. "The right to defend against the application of unknown or unreliable procedures, if there are procedural rights, is a right the dominant agency *and any other agency* have. If an independent agency exercises this right, it is acting no less legitimately than the dominant agency would be if it exercised this right. If the dominant agency stopped it from doing this, it would be violating its rights, or those of the client of the independent that the client delegated to its agent. Likewise, if it is a corollary of this procedural right that people also have a right to protect against the wrongful application of punishment for alleged violations of procedural rights, then when an independent punishes the dominant agency for preventing a rightful enforcement of procedural rights against the dominant agency, the independent is acting no less legitimately than if the dominant agency punished it for preventing a rightful enforcement of procedural rights against the dominant. Forbidding this would likewise be a violation of the independent's moral rights, or those its clients delegate to it.

This collapses Nozick's argument. Having failed to justify prohibiting competitive provision of morally legitimate force, and thus the ultraminimal State; the minimal State" (Garner, 2009:36-58)<sup>261</sup> and therefore *any* other type of State is *de facto* morally unjustified.

There simply is no moral significance to giving - through majority votes or other means - some person or group of persons the label "State": this does not transmute crime into justice or justice into crime in any way whatsoever.

Perhaps the words of Benjamin Franklin summarized the question of acceptance or rejection of a State best when he said that, because of the underlying implications and ultimately inescapable consequences, "any society that gives up liberty to gain some security deserves neither and loses both".

History agrees.

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<sup>261</sup> Due to the rather heavy modification used in the citation, I would like to stress once more to my readers that I recommend reading Garner's full article (Garner, 2009) in case something is not yet clear in this regard, or if one wishes to explore this particular part of the discussion further.

## 7. The Zarathustra Principle

As we arrive at the final Chapter of my thesis, we can now draw the coinciding conclusions from what has hitherto been discussed from the distinct vantage points of both ethics and economics alike. I expect that it has been strange and at times perhaps even confusing to see ethical arguments intermingled with economic efficiency ones, while at the same time discussing and denying the existence of universal morality in the light of moral relativity and talking about natural rights nonetheless. So how does this all come together; how is the prima facie nihilism of moral relativity overcome in the specific case of libertarian morality, and how do the ethical and economic patterns discussed in my thesis ultimately fit into each other?

Before we set off on this final elaboration, I am compelled to mention that, perhaps more than those before it, this Chapter specifically deals with my personal findings and conclusions as I have drawn them from the principles and ideas which I have tried to summarize over the previous pages.<sup>262</sup> This begs the question of what I would like my reader to take away with him or her as he or she puts down my thesis after having read it, and why.

As one observes the world around him even on a personal level, "nearly everyone engages in some sort of misrepresentation or misdirection on their tax forms, off-the-books payments for services, unreported trade with relatives, and so on". People build garden sheds and dig swimming pools where they are not allowed to by the State, ignore arbitrary speed limits when driving alone on deserted roads at night, play forbidden music and read forbidden books, smoke untaxed cigarettes, exchange rationed goods, download copyrighted songs, smuggle anything from pigs and butter up to and including fuel and organs; in short, "illegal" markets of all kinds flourish. It requires little imagination to say that, to some extent, "everybody is already an anarchist. And this is predictable from libertarian theory. Large numbers of people are acting in an anarchist manner with little understanding of any theory, yet are induced by material gain to evade, avoid, or defy the State" (Konkin, 1980).

As I mentioned in the introduction, libertarianism itself is not as straightforward and universal as some of its followers would like to have one believe. It has many detractors from other ideologies, and as we have seen in previous Chapters, intellectual honesty compels even its promoters - myself included - to recognize that some issues at least still remain in need of further philosophical examination and debate.<sup>263</sup> Undoubtedly, these various issues will never be solved and agreed upon indefinitely by humanity as a whole, but I contend that this of course need not be an issue that by itself destabilizes any of the libertarian argumentation as such. It is nonetheless a straightforward fact that libertarianism (at least superficially and as it is generally presented and intended) suffers from the same disease as other moral

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<sup>262</sup> To quote myself from the introduction: "I have no doubt that any one of [the people whose ideas I have used and explained] would severely disagree with several things discussed in this paper. But this, in fact, is exactly what this thesis is about: a differing view on the things that kept these great minds enthralled for many of their countless restless days and sleepless nights, distilled and synthesized during those of my own. I wish to be clear in recognizing that the separate components as such are neither new nor unheard of, but I do believe that there is something to be said for the peculiar relevance of their combination, however unlikely a synergy it may at first glance appear to be".

<sup>263</sup> One example is the idea of procedural rights as discussed in Chapter 6, while others - for various reasons - disagree with the validity of the reasoning behind private property, self-ownership, etc.

frameworks do: an underlying claim to objective truth about good and evil; i.e. a claim to an objectively quantifiable universal morality which is supposed to trump all others universally. Yet, as we have discussed in previous Chapters,<sup>264</sup> morality by its very nature is an inherently subjective and non-universal concept. This, to be clear, is one thing at least which I do maintain to be a "universal truth" (although in using this kind of terminology one is perhaps at the risk of being misinterpreted).<sup>265</sup> Taking all of the above into account, the novelty of the approach which I opted to take as I decided upon the focal point of my thesis lies in explaining the existing principles and ideas which constitute libertarianism as it is generally understood today, but this in combination with leaving the dead-end path of vying for a coinciding objective universal morality to follow suit. Instead, moral relativity is fully recognized and its consequences taken into account. For this, I feel that Nietzsche offers a way out of the treacherous swamp of nihilism<sup>266</sup> and opens the door for libertarianism and its anarchistic principles to come into their own.<sup>267</sup>

As early as 1876, Nietzsche commented that "every philosophy which believes that the problem of existence is touched on - not to say solved - by a political event is a joke and pseudo-philosophy. Many States have been founded since the world began; that is an old story. How should a political innovation suffice to turn men once and for all into contented inhabitants of the earth"? His observation that people often think that the answer to existential questions might come from politics<sup>268</sup> indicates "that we are experiencing the consequences of the doctrine that the State is the highest goal of mankind and that a man has no higher duty than to serve the State: in which doctrine I recognize a relapse not into paganism but into stupidity. It may be that a man who sees his highest duty in serving the State really knows no higher duties; but there are men and duties existing beyond this - and one of the duties that seems, at least to me, to be higher than serving the State demands that one destroys stupidity in every form, and therefore in this form too. That is why I am concerned with a species of man whose teleology extends somewhat beyond the welfare of a State, and with [this kind of man] only in relation to a world which is again fairly independent of the welfare of a State, that of culture" (Nietzsche, 1876:148). He referred to the State as "the coldest of all cold monsters" and remarked that "whatever it says it lies, everything about it is false; *it bites with stolen teeth*.<sup>269</sup> [...] 'There is nothing greater on earth than I, the regulating finger of God' - thus the monster bellows. [...] See them clamber, these nimble apes! They clamber over one another and so scuffle into the mud and the abyss. They all strive towards the throne: it is a madness they have - as if happiness sat upon the throne! Often filth sits upon the throne - and often the throne upon filth, too" (Nietzsche, 1885:75). In other words, instead of political philosophies, it is individual attitudes - the awakening and preservation of masters in a world of slaves<sup>270</sup> - that are Nietzsche's primary interest.

The story told in the philosophical novel of *Thus Spoke Zarathustra* (Nietzsche, 1885) - which gives its name to this final Chapter - comes in handy as a metaphor for how I personally have come to see the principles of libertarianism in such a world of moral

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<sup>264</sup> Chapter 4 in particular.

<sup>265</sup> See what follows for further clarification.

<sup>266</sup> Treacherous in the sense of de facto invalidating any discussion whatsoever.

<sup>267</sup> Whether he *himself* would have agreed with libertarianism as such is a different matter.

<sup>268</sup> See nationalism, socialism, etc.

<sup>269</sup> I.e. taxes, false morality and false logic.

<sup>270</sup> Both terms refer to their use in the depiction of the underlying morality as explained in Chapter 4.

relativism fraught with socialism of varying denominations.<sup>271</sup> The novel depicts the fictional travels of the prophet Zarathustra, who speaks to those he encounters about his newly discovered views on morality. Throughout his journey, Zarathustra calls for "the transvaluation of all values" (Nietzsche, 1888:199). This, in turn, is to be the precedent for the substitution of currently existing slave morality by the original natural master morality<sup>272</sup> with - and in preparation of - the arrival of the so-called Übermensch,<sup>273</sup> the metaphor for the individual who "is to man as man is to ape".<sup>274</sup> Nietzsche has Zarathustra declare to the mankind of our age that "man is something to be overcome. What have you done to overcome him? All creatures hitherto have created something beyond themselves: and do you want to be the ebb of the great tide, and return to the animals rather than overcome man? What is ape to man? A laughing-stock or a painful embarrassment. And just so shall man be to the Übermensch [...]. You have made your way from worm to man, and much in you is still worm. Once you were apes, and even now man is more of an ape than any ape" (Nietzsche, 1885:42). In short, the point made by Zarathustra is this: even though the concept of master morality may be known, it is inherently unfit for the majority of mankind; not because of the weakness of the ideal but because of the weakness of those that would be expected to adhere to it. There should be no illusions about this as far as Nietzsche is concerned: "man is a rope, fastened between animal and Übermensch - a rope over an abyss" (Nietzsche, 1885:43). Moral development in this regard, then, "requires the refining away of what is common, herd-like, 'all too human'. Hence this ideal lies, of its nature, outside the reach of the common man. Moreover, the ideal *may* be (Aristotle) or even *ought* to be (Nietzsche) repulsive to those whose weakness of spirit deprives them of sympathy for anything which is not more feeble than themselves".<sup>275</sup> Aristotle in his *Nicomachean Ethics* (Aristotle, 350BC) "called this ideal creature the 'great-souled man' (megalopsychos); Nietzsche [on his part] called it the 'Übermensch'. In each case, pride, self-confidence, disdain for the trivial and ineffectual, together with a lofty cheerfulness of outlook and a desire always to dominate and never to be beholden were regarded as essential attributes of the self-fulfilled man" (Scruton, 2006:197).<sup>276</sup>

Through the ideal of the Übermensch who confidently fashions his own morality from his own will to power, moral relativity is (de facto) negated in the sense that it becomes irrelevant.<sup>277</sup> R.J. Hollingdale<sup>278</sup> explained this process as follows: "'What is truth?' said jesting Pilate<sup>279</sup> (John 18:38); and would not stay for an answer. If he had stayed, what answer would he have received? There cannot be any doubt; Jesus would have said: '*I am the truth*'. This too is Zarathustra's answer to the question

<sup>271</sup> See Chapters 4, 5 and 6.

<sup>272</sup> See Chapter 4.

<sup>273</sup> To be clear, the gravely conflicting confusion with the Übermensch of fascist ideology exists only in the term as such. Other than that either concept has little to do with the other.

<sup>274</sup> "Behold, I teach you the Übermensch! The Übermensch is the meaning of the earth. Let your will say: the Übermensch *shall be* the meaning of the earth! I beseech you, my brothers, *remain faithful to the earth*, and do not believe those who speak to you of otherworldly hopes! Poison-mixers are they, whether they know it or not. Despisers of life are they, decaying and poisoned themselves, of whom the earth is weary: so let them go!" (Nietzsche, 1885:42).

<sup>275</sup> Which then drives them into slave morality as their relative weakness turns on itself. See Chapter 4.

<sup>276</sup> See Chapter 4.

<sup>277</sup> See Chapter 4 for an explanation of the formation of master morality.

<sup>278</sup> R.J. Hollingdale is Nietzsche's best-known biographer. Along with Walter Kaufmann, a prominent translator and commentator of Nietzsche's work, he has made the material available to people who - like myself - are sadly unable to appreciate it in its original language.

<sup>279</sup> Pontius Pilate is the man who was the judge at Jesus' trial and authorized his crucifixion.

'what is truth?'. Is it not the discovery that no truth is discoverable except the truth which *you yourself are*? That there is no truth (sense, meaning) in the world except the truth (sense, meaning) *you yourself give it*? That 'truth' is a concept belonging to the human mind and will and that apart from the human mind and will there is no such thing as 'truth'? Finally, that the resolute determination that your own truth shall be *the* truth is the sole origin of 'the truth' on earth? *To give life a meaning*: that has been the grand endeavor of all who have preached 'truth';<sup>280</sup> for unless life is *given* a meaning, it has none. At this level, truth is not something that can be proved or disproved: it is something which you *determine upon*, which, in the language of the old psychology, you *will*. It is not something waiting to be discovered, something to which you submit or at which you halt: it is something you *create*, it is the expression of a particular kind of life and being which has, in you, ventured to assert itself. This Zarathustra declares: 'the Übermensch is the meaning of the earth. Let your will say: the Übermensch *shall be* the meaning of the earth'. He is a prophet, not of the truth that *is*, but of the truth that *shall be*. What then determines the nature of 'truth'? [It is] the nature of the I which asserts: '*I am the truth*'. *Why* truth, and not rather untruth or indifference to truth? Because each particular life and being needs and creates a fortress within which to preserve and protect itself and from which to reach out in search of aggrandizement and more power, and truth is this fortress," its *raison d'être*. "Or, as *life* says to thinking mankind: 'my will to power walks with the feet of your will to truth'. What then ultimately is the answer to Pilate's question? It is this: truth is will to power". Thus spoke Zarathustra. "The great need, 'the one thing needful', was to overcome the nihilistic devaluation of life and man which had followed the destruction of the metaphysical world (the 'death of God').<sup>281</sup> This devaluation had been effected chiefly by a psychological theory, namely the theory that primitive drives can be sublimated, so that distinctively human qualities, 'humane' qualities, can be understood as sublimated forms of drives which mankind has in common with the animals. The motive for formulating such a theory was the need to account for what is distinctively human without recourse to the metaphysical or the supernatural.<sup>282</sup> From a very large number of experiments,<sup>283</sup> two primitive drives emerged as dominant: the desire for power and the emotion of fear. And when Nietzsche came to understand fear as '*the feeling of the absence of power*', he was left with a single remaining motivating principle for all human actions: the will to power. *Sublimated will to power* was now the Ariadne's thread<sup>284</sup> tracing the way out of the labyrinth of nihilism. 'A table of values' - i.e. a morality - 'hangs over every people': it is this table of the self-imposed commands which have turned a herd and rabble into a nation: primitive aggression has been directed back upon itself, sublimated into self-control. When the same thing happens in an individual, when he imposes commands upon himself, and obeys them, so that he too as it were changes from

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<sup>280</sup> Philosophies, religions and political ideologies alike.

<sup>281</sup> See Chapter 4.

<sup>282</sup> See Chapter 4.

<sup>283</sup> See the references to Nietzsche's books in this regard.

<sup>284</sup> "Ariadne was the daughter of King Minos of Crete. Minos had Daedalus build a Labyrinth, a house of winding passages, to house the bull-man, the Minotaur, the beast that his wife Pasiphae bore after having intercourse with a bull. (Minos had refused to sacrifice a bull to Poseidon, as the king promised, so the god took revenge by causing his wife to desire the bull - but that is another story). Minos required tribute from Athens in the form of young men and women to be sacrificed to the Minotaur. Theseus, an Athenian, volunteered to accompany one of these groups of victims to deliver his country from the tribute to Minos. Ariadne fell in love with Theseus and gave him a thread which he let unwind through the Labyrinth so that he was able to kill the Minotaur and find his way back out again" (LP, 2007).



rabble into nation, the result is 'the Übermensch', the man who is *master of himself*. But to master oneself is the hardest of all tasks, that which requires the greatest amount of power: he who can do it has experienced the greatest increase in power, and if, as Nietzsche later says explicitly (Nietzsche, 1888:127), but here implies, happiness ('joy') is *the feeling that power increases*, that a resistance is overcome, then the Übermensch will be the happiest man and, as such, the meaning and justification of existence" thereby *subjectively legitimates itself*. "Through continual increase of power to transmute chaos of life into a self-overcoming of life and thus to experience in an ever greater degree the joy which is synonymous with this self-overcoming: that would now be the meaning of life - for joy is to Nietzsche, as is to common sense, the one thing that demands nor requires justification, that is *its own justification*. He who had attained that joy could affirm life and love it however much pain it contained, because he would know that 'all things are chained and entwined together' (Nietzsche, 1885:332) and that everything is therefore part of a whole which he must accept *as a whole*. [...] The joy of the Übermensch in being as he is, now and ever, is the ultimate sublimation of the will to power and the final overcoming of an otherwise inexorable and inevitable nihilism" (Nietzsche, 1885:I.23). In the words of Goethe: "when the sound and wholesome nature of man acts as an entirety, when he feels himself in the world as in a grand, beautiful, worthy and worthwhile whole, when this harmonious comfort affords him a pure, untrammelled delight: then the universe, if it could be sensible of itself, would shout for joy at having attained its goal and wonder at the pinnacle of its own essence and evolution. For what end is served by all the expenditure of suns and planets and moons, of stars and Milky Ways, of comets and nebula, of worlds evolving and passing away, if at last a happy man does not involuntarily rejoice in his existence" (Goethe, 1805)? And what better mirror for this principle than the intricate network and interconnected whole of market economics and the marvels of its constant causal flux?

It is clear that libertarianism is an ideological as well as a *political* doctrine - both are necessarily one and the same. And so, as a political doctrine, the subjective ethical ideology of libertarianism, in contrast to economic objective *science*, is *not* neutral with regard to values and ultimate ends sought by action. It assumes that at least *some* people are subjectively intent upon attaining certain aimed at goals.<sup>285</sup> Libertarianism, then, gives them information about the means suitable to the realization of their *subjective* goals based on de facto *amorally objective* economics and the objective observance of naturally existing mechanisms - "*laws*" of nature, if one insists on calling these mechanisms by such a metaphorical moniker. "The champions of libertarian doctrines are fully aware of the fact that their teachings are valid only for people who are committed to *their* same valuational principles. [...] It presupposes that such people prefer life to death, health to sickness and abundance to poverty. It teaches men how to act in accordance with these valuations" (von Mises, 1949:153, emphasis added). And as such it is only relevant to people who value life over death, health over sickness, abundance over poverty, self-esteem over self-loathing and intelligence over stupidity, independence over parasitism and rationality over irrationality. At the same time, the existence of people who do not - or, for whatever reason, place other imperatives as "more important" above these values - is fully acknowledged, but does nothing to destabilize or invalidate it.<sup>286</sup>

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<sup>285</sup> An assumption which one can validate on his own.

<sup>286</sup> See what follows.

Libertarianism as a moral framework in short need not make universalist *moral* pretensions *as such*: through the combination of a subjective ethical framework on the one hand and the objective observation of natural mechanics which drive economics on the other, all it does is observe that if A and B are what one values *subjectively*, then C is what follows *objectively* (with or without this being motive A or B's subjective intention) and vice versa. Ergo, libertarianism says this: if C is *the subjective objective*, it is objectively observed that A and B are the inherently subjective valuations that lead to it, and that given A and B, one can vice versa only arrive at C - much like the interaction of certain ingredients and processes leads to - can *only* lead to - a specific type of meal, while the making of a specific type of meal requires this or that recipe to be adhered to. Using nothing but mud, one cannot arrive at having baked a chocolate pie, and in order to bake such a chocolate pie, one cannot start out with only mud - with or without (honest or not) effort and intentions to the contrary.<sup>287</sup> Economics as a science on the other hand *can* make objective universalist claims (albeit not subjective *moral* ones) in the same way that the objective science of mathematics asserts that numerical one plus numerical one equals numerical two, and this "universally" so, but does *not* make - *cannot* make - any *subjective* valuation as to one or two being "better" or "worse" than the other.<sup>288</sup>

While socialism makes subjective claims based on subjective valuations and expects reality to bend towards subjective socialist mechanics (i.e. "there is no scarcity/it can be alleviated through central planning" or "there is an intrinsic difference between private and public goods", etc.)<sup>289</sup> in spite of the diverging objective realities thereof, it can only fail in the same way that it has always done and always will do, for the same reason that one plus one will remain two from now until forever, as it has always been and will be, and this with or without (democratic) subjective valuations to the contrary. Libertarianism on the other hand bases its subjective valuations and morality on objectively observed *amoral* natural mechanics. The libertarian *morality* remains as subjective and non-universal as its socialist counterpart. But its basis, the underlying logic and causality that it has been drawn from, is not. As a result, the weighing of libertarianism versus socialism is not a matter of universal "good versus evil", but a matter of natural versus unnatural subjective morality and the *objective validity* of their moral foundations vis-à-vis the given reality wherein they exist.

It is as such that one escapes the *apparent* self-contradiction of being a *value-free economist* on the one hand while at the same time advocating the *moral* framework of libertarianism on the other: the economist *as a scientist* "may not make such advocacy," but *as an individual*, one can take a stand and be "willing to make value judgments" from a point of nihilism. Yet, as a libertarian, one is "not willing [...] to simply assert *an ad hoc value judgment*; [one posits] that a valuing intellectual<sup>290</sup> must present a system to justify such value judgments" through objective observation and logical causation instead of mere subjective whim in dishonest or ill-founded contradiction of factual reality (Rothbard, 1976:94). In other words: the economic

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<sup>287</sup> Mere "belief [...] does not turn an idée fixe into a true idea, faith moves no mountains but *places* mountains where there are none: a fleeting visit to a madhouse will provide ample enlightenment on these things" (Nietzsche, 1888:52). See Chapter 4.

<sup>288</sup> But a human mind might *subjectively* value two over one or vice versa.

<sup>289</sup> "It is a disgrace for all socialist systematisers that they suppose there could be circumstances - social combinations - in which vice, disease, prostitution, distress would no longer grow, in doing so they are condemning *life*" (Nietzsche, 1968:s40).

<sup>290</sup> Intellect being what distinguishes man from beast.

aspect of libertarianism is value-free in the same way that market mechanisms operate amorally (the value-free *objective* empirical observance that A leads to X and B to Y; that libertarian morality leads to (economic) prosperity and socialist morality leads to (economic) chaos). But the assertion made when saying that one prefers X over Y is dependent on what one *subjectively* values most or least, which can hinge on utilitarian argumentation<sup>291</sup> from a consequentialist point of view<sup>292</sup>, on distinctly originated economic efficiency arguments, or simply on moral preference<sup>293</sup> starting from a non-consequentialist perspective<sup>294</sup> - separately or combined through moral relativism in light of the absence of universal morality<sup>295</sup> which thereby leads *not* to nihilism but the freedom to actively set one's own standards.<sup>296</sup> In short, the birth of master morality from ethical anarchy in the absence of a moral authority and the will to power with reality as the judge of what is viable - *natural* - and what is not, beyond good and evil.

Perhaps this is a bit confusing and a lot to take in at first glance, so an example is in order. Say one is designing the exterior of an aircraft<sup>297</sup> (a moral framework). In designing the aircraft, the result could either be a fast and efficient design X which allows one to soar through the sky, or a slow and inefficient design Y that tumbles to the ground. Now, if one wants the best airplane<sup>298</sup>, one can *amorally and objectively* base the subjectively decided upon design on the *natural laws* of aerodynamics, or one can subjectively opt not to do so just the same. However, *the design that is most in line with aerodynamic natural laws will beat any other design that is less so*: it can simply be no other way within the logical causal mechanics of objective reality. However, if one - for whatever reason - opted for the non-aerodynamic design B<sup>299</sup> over the aerodynamic design A<sup>300</sup>, then it is ridiculous to blame *aerodynamics* for the failure of the applied principles behind the non-aerodynamic design B that was opted for, and equally futile and absurd to try and wish - vote? - away the laws of aerodynamics because they happen to not fit one's preferences.<sup>301</sup> The objectivity of

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<sup>291</sup> "The network of free exchanges in society - known as the 'free market' - creates a delicate and even awe-inspiring mechanism of harmony, adjustment, and precision in allocating productive resources, deciding upon prices, and gently but swiftly guiding the economic system toward the greatest possible satisfaction of the desires of all consumers. In short, not only does the free market directly benefit all parties and leave them free and uncoerced; it also creates a mighty and efficient instrument of social order. Proudhon, indeed, wrote better than he knew when he called 'Liberty, the Mother, not the Daughter, of Order' (Tucker, 1881)" (Rothbard, 1963:880). I.e. "libertarianism would lead to the highest level of happiness". Also see for example (Rothbard, 1962).

<sup>292</sup> I.e. "the end justifies the means".

<sup>293</sup> Insofar this moral preference does not itself build upon utilitarian or efficiency arguments, but for example on a valuation of individuality over herd mentality.

<sup>294</sup> I.e. "the end does not justify the means", "the means justify the end", or: the action is that which matters morally - an unjust action cannot lead to a just result, etc.

<sup>295</sup> See Chapter 4.

<sup>296</sup> "Liberty, says the Bolshevik, is a bourgeois prejudice. The common man does not have any ideas of his own, he does not write books, does not hatch heresies, and does not invent new methods of production. He just wants to enjoy life. He has no use for the class interests of the intellectuals who make a living as professional dissenters and innovators" (von Mises, 1958).

<sup>297</sup> Being merely a metaphor only to illustrate a theoretical principle instead of an aeromechanical case study, let us assume that *only* the exterior design is to be determined, *ceteris paribus*.

<sup>298</sup> Under the presumption that the point of an airplane is that it flies.

<sup>299</sup> Making the aircraft shaped like a large concave surface at a 90° angle facing the flight path, causing maximum drag.

<sup>300</sup> Making the aircraft shaped like a teardrop, causing minimum drag.

<sup>301</sup> I.e. blame the market because State interventionism/communism/etc. fails. See for example the case of Greece in 2010 as it is "under attack by speculators", and *that* - not the fact that Greece is

nature has no regard for human subjectivity. Whether one understood the *actual* principles behind aerodynamics or not and had the best intentions in choosing the non-aerodynamic design B - or perhaps merely subjectively and "innocently" liked the aesthetics of design B more than those of design A - is all *utterly and completely irrelevant* to the objective results once it is put to the test and has to fly. B will lead to Y (crash) and A will lead to X (flight); there is no way around it as this is the way in which nature itself works: objectively beyond both good and evil and amorally disconnected from any subjective valuations, be they merely aesthetic or not.

Having said that, neither design A or B is *morally* better or worse than the other as such, one simply is in accordance with nature and reality while the other is not: A flies and B does not, period. Given these facts, it is *meaningless in an objective sense*<sup>302</sup> to opt for A or B: nature does not care - aerodynamics will apply to both in the same way, only with differing results. *But there is no value judgment there, only amoral causality.* It is only when one *opts* for either A or B that it is *subjectively relevant* - *subjectively meaningful* - whether one is aiming for Y (crash) or X (flight) as the objective result. In other words: the *subjective objective* of either Y or X determines the *subjective particular value* of choosing design A over B or vice versa (while neither A or B has any *objective universal value* since "the universe" does not *value* anything). So, given that A leads to X and B leads to Y, one observes that socialists choose to aim for objective X (which they regard as "good", by whatever subjective standard), but subjectively *wish* to achieve this through B (collectivism) and then curiously blame nature (the market) when they end up with Y as a result from B - the *only* result it *can* be within the natural confines of factual reality, in the exact same way that aerodynamics is the amoral arbiter of which design flies and which design does not.<sup>303</sup>

Libertarianism comes from the recognition that the way to X goes through the objective reality of nature instead of through mere subjective wishful thinking that would vainly try to contradict or artificially shortcut it. Consequently, through the objective observance of the above, libertarianism is the subjective choice of A over B, *because* A is in line with what works best within the objective reality of nature, and is that which applies *if* one wants X. But, crucially, "the wanting of X" and the choice of A to get there *remains entirely subjective*, in spite of the observance that it goes through A instead of B, which *is* objective, while the claim that B leads to X - as in the case of socialism - is not.<sup>304</sup>

In short, the difference between libertarianism and socialist doctrines lies in the *natural validity* of the former and the *natural invalidity* of the latter as it artificially tries to wish reality out of existence and can *de facto* do nothing but fail in doing

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structurally insolvent due to gargantuan State interventionism - supposedly being what is wrong with the Greek economy: "[The Greek Prime Minister] also does his economy no favours by railing against the very 'speculators' he needs to buy his debt. Our advice is to double down on reform, beginning by ending the civil service's constitutional right to lifelong employment. That would do more to shore up Greece's fiscal credibility than any number of tax hikes. The bets against Greek solvency are *the result, not the cause*, of Greece's debt problems. The way to turn speculator profits into losses is by reining in the State and [thereby] reviving private growth" (WSJ, 2010). For more on Newspeak and speculators, see Chapter 5.

<sup>302</sup> In the absence of a supernatural/religious universal "meaning" of life.

<sup>303</sup> See the various examples in Chapter 6 and the example of Greece mentioned in an earlier footnote.

<sup>304</sup> See Chapter 5.



so.<sup>305</sup> Either conflicting morality *in itself* has no a priori *moral* authority over the other in an objective universal sense as such. But libertarianism *does* outbid socialism in an objectively universal sense in its superior adherence to the laws of nature and *actually achieving what it sets out to do*.<sup>306</sup> As such, libertarians base their still-subjective *valuation* of the various differing moral frameworks on that objective *observation* and thereupon draw the reasons for its *moral supremacy*, while still acknowledging moral relativity and the subjectivity of their moral conviction. The question, in other words, is where the *legitimacy* of a moral framework - whatever that may mean - comes from. Perhaps such legitimacy is not even needed in the face of moral relativity? Libertarians however claim that nature and reality is the final arbiter and thereby trumps the anti-nature foundations of socialism. Whether this is the case or not in a *universal* - i.e. *objective* - moral sense within moral relativity does not matter in any way at all as to how it plays out in objective reality.<sup>307</sup>

Keeping the above in mind as we return to Nietzsche's philosophical work, we find the Schopenhauerian will<sup>308</sup> re-emerging as something positive and individual. Through active nihilism, "man is free and able to 'will his own desire as a law unto himself'. To some extent we can see all this as a restatement in modern language of the Aristotelian ideal of practical wisdom. When combined with Nietzsche's theoretical skepticism, it leads to the view which is sometimes called pragmatism, according to which the only test of truth is the 'practical' one. *Since there are no universal moral facts, but only interpretations, the test of truth of a belief must lie in its success. The true belief is the one that augments one's power, the false belief the one that detracts from it*". Hitherto, Nietzsche argued, "our beliefs and the concepts used to formulate them have had the transcendental backing of religious Faith. At no point in the conceptual scheme of civilization has the void been fully apparent behind the thin paste of our conceptions. Now, however, everything is changing": upon the death of God,<sup>309</sup> "people come into the world without certainties, and between the torn shreds of our inheritance the abyss is always visible. In such a condition, human life becomes problematic" for those unable to deal with it in an appropriate manner.<sup>310</sup> Nietzsche has often been accused of nihilism, but those who grasp his meaning and the implications of his insights see that in actuality he is trying "to forestall nihilism and to provide us with the weapons against it". Sadly however, "his acute social criticism, and his ability to sniff the 'will to belief' behind all ordinary beliefs and attitudes, have endeared him to radical critics of Western society, and caused him to be conscripted to secular causes - feminism, socialism, egalitarianism,

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<sup>305</sup> As is constantly affirmed and reaffirmed throughout human history and present day circumstances. See among many others (Courtois et al., 1999). "Everything brought forward in favour of Socialism during the last hundred years, in thousands of writings and speeches, all the blood which has been spilt by the supporters of Socialism, cannot make socialism workable" (von Mises, 1951:117).

<sup>306</sup>As is consistently observed through the differing effects from the application of liberalism compared to socialism whenever either moral framework is applied to interactions with nature and reality. See Chapter 5 in particular.

<sup>307</sup> "A man who chooses between drinking a glass of milk and a glass of a solution of potassium cyanide does not choose between two beverages; he chooses between life and death. A society that chooses between capitalism and socialism does not choose between two social systems; it chooses between social cooperation and the disintegration of society. Socialism is not an alternative to capitalism; it is an alternative to any system under which men can live as human beings" (von Mises, 1949:676).

<sup>308</sup> I.e. a will entwined with deterministic philosophy. See (Schopenhauer, 1841) for an interesting read.

<sup>309</sup> See Chapter 5.

<sup>310</sup> With the resulting fear and confusion leading to slave morality. See Chapter 4.



fascism, 'multiculturalism' - which he himself would have greeted with cavernous laughter" (Scruton, 2009:199).

Nietzsche observed that "human beings are not the effect of some *special* purpose, or will, or end; nor are they a medium through which 'society' can realize an 'ideal of humanity' or an 'ideal of happiness' or an 'ideal of morality'.<sup>311</sup> [...] We have *invented* the concept of 'end': *in reality there is no end*" (Nietzsche, 1888:65).<sup>312</sup> "Let us finally consider how naive it is altogether to say: 'man ought to be such and such!' Reality shows us an enchanting wealth of types, the abundance of a lavish play and change of forms - and some wretched loafer of a moralist comments: 'No! Man ought to be different'. He even knows what man *should* be like, this wretched bigot and prig: he paints himself on the wall and comments: '*Ecce homo!*'<sup>313</sup> But even when the moralist addresses himself only to the single human being and says to him: '*you* ought to be such and such!', he does not cease to make himself ridiculous. The single human being is a piece of fatum from the front and from the rear, one law more, one necessity more for all that is yet to come and to be. To say to him: 'change yourself!' is to demand that *everything* be changed, even retroactively.<sup>314</sup> And indeed there have been consistent moralists who wanted man to be different, that is, 'virtuous' - they wanted him *remade in their own image*, as a prig: to that end, *they negated the world!* No small madness! No modest kind of immodesty! Morality, insofar as it condemns for its own sake, and not out of regard for the concerns, considerations, and contrivances of life, is a specific error with which one ought to have no pity - an idiosyncrasy of degenerates which has caused immeasurable harm. We others, we immoralists, have, conversely, made room for every kind of understanding. We do not easily negate; we make it a point of honor to be affirmers. More and more, our eyes have opened to that economy which needs and knows how to utilize everything which the holy witlessness of the priest,<sup>315</sup> the *diseased reason* in the priest, rejects - *that economy in the law of life* which finds an advantage even in the disgusting species of the prigs, the priests, the 'virtuous'<sup>316</sup>" (Nietzsche, 1888:56, emphasis added). Consequently, Nietzsche recognized "socialism as the logical conclusion of the tyranny of the least and the dumbest, i.e., those who are superficial, envious, and are three quarters actors [...]. But in the tepid air of democratic well-being, the capacity to reach conclusions - or to finish them - weakens. One follows - but one no longer sees *what* follows.<sup>317</sup> Therefore socialism is on the whole a hopeless and sour affair; and nothing offers a more amusing spectacle than the contrast between the poisonous and desperate faces cut by today's socialists - and to what wretched and pinched feelings their style bears witness! [...] But there will always be too many who have dispositions for socialism to signify more than an attack of sickness - and those who have possessions are of one mind on one article of faith: 'one must possess something in order to be something'.<sup>318</sup> But this is the oldest and healthiest of all instincts: I should add, 'one must want to have more than one has in order to become more'. For this is the doctrine preached *by life itself* to all that has life: the morality of

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<sup>311</sup> "Ideal" in a universal, Kantian (Kant, 1785) sense.

<sup>312</sup> Until proven otherwise, time is going on forever. In Nietzsche's own terminology, everything is a constant "becoming" and never a mere "being": everything takes place in - and is itself - a continuous flux (like the market, see Chapter 5).

<sup>313</sup> "Behold man!". See (Nietzsche, 1888A).

<sup>314</sup> Also see (Schopenhauer, 1841) in this regard for a similar train of thought regarding determinism.

<sup>315</sup> I.e. the preachers of slave morality.

<sup>316</sup> In the sense of slave morality as frustrated will to power, see Chapter 4.

<sup>317</sup> See the example of the (non-)aerodynamic design earlier (the futility of wishing X through B).

<sup>318</sup> In the first place, oneself.

development.<sup>319</sup> To have and to want to have more - *growth*, in one word - that is life itself. In the doctrine of socialism there is hidden, rather badly, a 'will to negate life'; the human beings or races that think up such a doctrine must be bungled. Indeed, I should wish that a few great experiments might prove that in a socialist society, life negates itself, cuts off its own roots" (Nietzsche, 1968:s125).

And wherever one cares to look back at human history, Nietzsche got his proof in the "great experiments" of the USSR, Communist China and every single other of humanity's (democratic and/or socialist) "people's republics"<sup>320</sup>: "socialism is not the pioneer of a better and finer world, but the spoiler of what thousands of years of civilization have created. It does not build; it destroys. For destruction is the essence of it. *It produces nothing, it only consumes what the social order based on private ownership in the means of production has created*" (von Mises, 1951:414). "Men must choose between the market economy and socialism.<sup>321</sup> They cannot evade deciding between these alternatives by adopting a middle-of-the-road position, whatever name they may give to it" (von Mises, 1949:857). For such a crippled choice is merely "a method for the realization of socialism by installments"<sup>322</sup> (von Mises, 1952:32). In short: "*either capitalism or socialism: there exists no middle way*" (von Mises, 1985:79).

In the end, a State "cannot logically be argued to be an improvement; for such arguments are ultimately statements about the goodness of the individuals involved, and since government consists of these same individuals, the predicament cannot be escaped.<sup>323</sup> [...] *We never get out of the state of nature*. If one gets rid of the natural liberty of some people, all well and good, but who governs the governors?<sup>324</sup> They remain in the state of nature, in *anarchy*. And if the rulers are in the state of nature, then those who are ruled, are 'ruled' by the state of nature [...]. The separation of powers does nothing to prevent this, for *that which is the supreme power has no higher authority to refer to, and there must eventually be some end to cross-referencing, otherwise there is no separation of powers, or rule, at all*" (Marks 2007:7). In other words, even though States exist as they do today, *one lives in anarchy right now: the emperor has no clothes!*<sup>325</sup>

But where does this leave us, given the existence within natural anarchy of States which forcefully dictate and plunder under a deceitful guise of universal slave

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<sup>319</sup> See the will to power in Chapter 4.

<sup>320</sup> See (Courtois et al., 1999).

<sup>321</sup> A or B.

<sup>322</sup> See Bastiat's "Negative Railroad" in Chapter 5.

<sup>323</sup> See Chapters 5 and 6.

<sup>324</sup> See Chapter 2.

<sup>325</sup> The story "The Emperor's New Clothes" (Andersen, 1937) "presents an emperor who concerned himself with only surface appearance, who sought to dress and show himself with his elaborate clothing. Upon hearing of a new suit of clothes made from a special material that was fine, light, magnificent and claimed to be invisible to the foolish and the unworthy, he eagerly wished to try it on. Before doing so, however, he sent two of his trusted men to observe the cloth. Neither could see the cloth, and neither wanted to admit themselves foolish or unworthy, and thus both praised the cloth. The emperor then was dressed by the two swindlers ('weavers' of this 'cloth'), and demonstrated himself in a lavish parade. All the citizens observing the parade praised wildly of the colour, the magnificence, and the design. Although everyone was praising empty air, as it seemed to themselves, all were afraid of the consequences if they admitted that they could not see a thing. The crowd pretended to cheer, marvel, and welcome the elegant new clothes of the emperor, until a small child cried out: '*But he has nothing on at all!*'" (FI, 2005).

morality, with or without the vaguely supposed legitimacy of democracy? *It leads one to recognize the absurdity of State, be it directly despotic or indirectly so.*<sup>326</sup> "For what is freedom?"<sup>327</sup> *That one has the will to assume responsibility for oneself.* That one maintains the distance which separates us. That one becomes more indifferent to difficulties, hardships, privation [...]. The free man is a warrior. How is freedom measured in individuals and peoples? According to the resistance which must be overcome, according to the exertion required, to remain on top. *The highest type of free men should be sought where the highest resistance is constantly overcome: five steps from tyranny, close to the threshold of the danger of servitude.* This is true psychologically if by 'tyrants' are meant inexorable and fearful instincts that provoke the maximum of authority and discipline against themselves; most beautiful type: Julius Caesar. This is true politically too; one need only go through history. The peoples who *had* some value, *attained* some value, never attained it through socialist institutions: it was great danger that made something of them that merits respect.<sup>328</sup> Danger alone acquaints us with our own resources, our virtues, our armor and weapons, our spirit, and forces us to be strong.<sup>329</sup> First principle: one must need to be strong - otherwise one will never *become* strong. Those large hothouses for the strong - for the strongest kind of human being that has so far been known - the aristocratic commonwealths of the type of Rome or Venice, understood freedom exactly in the sense in which I understand it: as something one has or does not have, something one wants, something one conquers" (Nietzsche, 1888:103).<sup>330</sup> Truly then, this age we live in today holds some potential.

It is important to recognize that the subjectively perceived hazards of free markets "do not de facto mean that other economic systems are any better. Centrally planned systems have corroded character far more damagingly *and* with fewer benefits in terms of efficiency and productivity. The planned economies of the former Soviet bloc only functioned - to the degree they did at all - because they were riddled with black and grey markets. Corruption was ubiquitous. In the Marxian *model*, the greed-fueled anarchy of the market is replaced with planning based on altruism. But *actual life* in Soviet societies was more like an extreme caricature, a chaotic and wasteful

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<sup>326</sup> I.e. through democracy. See all previous Chapters.

<sup>327</sup> Also see Chapters 1 and 2.

<sup>328</sup> "It is in vain, sir, to extenuate the matter. Gentlemen may cry, "Peace, peace!" - but there is no peace. The war is actually begun! The next gale that sweeps from the north will bring to our ears the clash of resounding arms! Our brethren are already in the field! Why stand we here idle? What is it that gentlemen wish? What would they have? Is life so dear, or peace so sweet, as to be purchased at the price of chains and slavery? [...] I know not what course others may take; but as for me, give me liberty or give me death!". This citation is attributed to Patrick Henry in his speech to convince his fellows to provide assistance to the American Revolution which overthrew British colonial State rule (Wirt, 1816). Also see the equally famous Samuel Adams as he did the same when he announced: "Bid us and our posterity bow the knee, supplicate the friendship and plough, and sow, and reap, to glut the avarice of the men who have let loose on us the dogs of war to riot in our blood and hunt us from the face of the earth? If ye love wealth better than liberty, the tranquillity of servitude than the animated contest of freedom - go home from us in peace. We ask not your counsels or arms. Crouch down and lick the hands which feed you. May your chains sit lightly upon you, and may posterity forget that you were our countrymen!" (Adams, 1776).

<sup>329</sup> If it is true that business supposedly "corrupts" everything it touches, then "business also corrupts monolithic totalitarianism. Capitalism is at its liberating best in a non-capitalist environment," i.e. on the black markets. "The crypto-businessman is the true revolutionary in a socialist country" (Hoffer, 1973:43).

<sup>330</sup> "Either on top - or underneath, like a worm, mocked, annihilated, trodden upon. One must oppose tyrants to become a tyrant, i.e. *free*" (Nietzsche, 1968:s770).

environment in which each person struggled to stay afloat. *Homo homini lupus*<sup>331</sup> was the rule, and human dignity the exception. In these conditions, people with the most highly developed survival skills and the fewest moral scruples did best. *The choice is not between abstract models: reality is not optional.* And thus, "despite the seemingly cruel nature of unregulated market forces, [...] they in actuality improve the well-being of society, much as Darwin's objective and amoral laws generate the best-adapted forms of life."<sup>332</sup> [...]. *In the absence of real competition, there is no commercial advantage to moral conduct.* This is demonstrated all too well by bureaucratic collectivistic systems in the past and today.<sup>333</sup> [...] *We are the product of our ancient struggle to survive, and we deny our instincts at great peril.* [...] Self-generating incentives for moral behavior are replaced by edicts and punishments. *Carrots give way to sticks*" (JTF, 2008:5).<sup>334</sup>

In recent decades, "as planned economies collapsed under their own contradictions, the supposedly utopian experiment of socialism has proved to be a systematic failure. Citizens who had endured long years of economic, moral, and political disaster were eager to get rid of them. [...] A dramatic adjustment of moral values is taking place in today's transitional societies, as once-isolated planned economies are being transformed into interconnected market systems. To be sure, the legacy of statist institutions and the role of dominant elites may delay or hinder the adjustment," but the tides of history have little regard for such objections. In Europe, "the integration of former Soviet bloc countries into the continent's trading system has not brought negative moral consequences. [...] It is obvious that the rise of markets and the decline of corruption are part of a common and consistent thread of progress. While there is little consensus on what is moral, let alone on what corrodes morality, one of the most important functions of markets is that they create a consensus around certain moral expectations: that agreements should be binding, that honesty is expected in transactions, that economic actors are held accountable for broken promises. All of these ideas have positive social consequences far beyond the realm of commerce, as any observer of market societies can see. [...] A man of faith measures moral character by one's ability to abide by the demands of his God. A socialist might measure moral strength by one's dedication to the mirage of redistribution of wealth. But a classical liberal *will always put freedom first.* This is the moral framework to which I subscribe. *The free market establishes a meritocracy* and thereby creates opportunities for better jobs for those students who work hard at school. The same mechanism pushes parents to invest more time and money in the education of their children. Producers invest in research and innovation to beat their competitors in the marketplace. *To appreciate just how effectively the free market strengthens moral character, it is helpful to glance at economic systems that undermine or openly reject it.* Everywhere socialism has been tried, it has resulted not just in corruption and sub-standard products but also in fear, apathy, ignorance, oppression, and a general lack of trust. The Soviet Union, Africa, Latin America and pre-reform China were *morally as well as economically bankrupt.* Or consider the feudal order typified by Saudi Arabia. There we see an absolute monarchy, a religious hierarchy that reinforces the ruling family's hold on power, and several classes of serfs: the oppressed Shi'a minority, the vastly exploited underclass of immigrant workers, and women, who are confined and abused. The stagnation and oppression of Saudi

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<sup>331</sup> "Man is wolf to man".

<sup>332</sup> A flies and B does not.

<sup>333</sup> Once more, see (Courtois et al., 1999).

<sup>334</sup> Gary Kasparov in (JTF, 2008:5).

society make it utterly immoral in the eyes of a classical liberal. The extent of socialist State welfare services in Western Europe is excessive and counterproductive; it discourages innovation and rewards dependency, *corroding the moral fiber and individual responsibility* by encouraging people to become lazy and dependent on the State for things they could (and should) do for themselves. In a free-market society, where liberty comes first, individuals tend to be both more creative and more selfishly innovative; in welfare States that assign priority to equality, the natural resourcefulness of human beings is perverted. To become successful, one must learn how to 'work the system' and how to exploit State coercion rather than how to develop a better product. Risk is avoided, and individual responsibility is thwarted. Although superficially the socialist system may *appear* fair to some, *it promotes mediocrity and a sense of victimhood*, and it discourages those who want to excel" (JTF, 2008:22).<sup>335</sup>

To be clear, libertarians have nothing against socialists as such. Yes, socialists are seen by many libertarians as either ignorant or malicious - perhaps both. But no, libertarianism is not about stopping any one of them from setting up or joining a socialist commune with fellow socialists; no matter how low a libertarian might or might not think of such things. All libertarianism says is that such groups have no legitimacy to force *others* to join as well. Yet socialism, by its nature, always meddles in other people's affairs. And *that* is the only point at which libertarianism is provoked into a reaction and gives up its otherwise neutral standpoint (aside from intellectual/moral judgment) towards socialism. Just like one might not care about religious fanatics of any denomination, one would respond if such people were to at some point begin to *force* one to convert to their unsolicited views. But is this then an instance of imposing on those others because one does not want to join their lauded commune or religion? Saying one wants freedom of - or from - religion is perhaps seen as aggressing against or imposing upon religious fanatics, and saying that others have to convert to religion X or Y whether they want to or not, curiously holds no aggression? When A announces that he does not want to work for B's upkeep, A is actually committing an aggression against B while B would not be committing any aggression towards A by taking his money at gunpoint? That would require some peculiar logic to explain.

Yet, by saying that people have no authority to decide for others how they are to arrange their lives, it turns out that the anarchist supposedly is the one who is the aggressor and imposer, not those who claim that they have the (perhaps indirect through voting and delegating) right to impose on disagreeing others as much as they want to as long as they can get a majority vote; morality, dignity and humanity be damned - après nous le déluge. Instead, the majority in this fine system of democracy *somehow* obtains the unilateral "right" to decide for all, with or without their consent. But A saying that he does not want to submit himself to a god or a State says nothing about B's freedom to do so: what B does or does not do is not A's choice to make, and in exactly the same way, what A does or does not do is not B's choice to make either. That is all there is to it. B does not impose on A by setting up democracy with other democrats or a commune with others who want to do so. But B *does* impose on A when B (and as little or as many of his friends) puts a gun to A's head and forces A to join B's group and pay for B's whims. Consequently, the only thing that concerns an anarchist is when A gets forced into something involuntarily by B and those like B

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<sup>335</sup> Ayaan Hirsi Ali in (JTF, 2008:22)



who are weak and parasitic enough to convince themselves that they somehow have a "need" and *therefore* a "right" to meddle in other people's affairs.<sup>336</sup>

The slightest reflection on the matter reveals that the State and/or democracy are a fig leaf; and a very scant one at that. Whether it is a majority which robs or murders (democracy) or whether it is a minority (lone tyrant or thief); the morality behind the resulting actions does not change in the slightest.<sup>337</sup> All anarchists say is this: "you can have your socialism, your despotism or your democracy, *I do not mind*. But you do *not* have the 'right' to force others into it, and it is only when you think that you do, out of a mistaken arrogance and sense of entitlement, that any conflict with an anarchist arises". "The ideas of the herd should rule in the herd," says Nietzsche, "and not reach out beyond it" (Nietzsche, 1968:s287).

So how come social Darwinism has not taken care of all this widespread distortion of the natural market? An intriguing question indeed, but only puzzling on a most superficial level - the explanations are obvious and easy to find. First, the inertia of the masses dictates that the only way of moving them is by saying that they will be better off without any effort on their part: somebody else will pay for it, "somebody" will make it happen (Hoffer, 1951). Second, because of the fact that social evolution is still ongoing,<sup>338</sup> just like *biological evolution* has yet to create "the perfect creature" with total immunity to all diseases and omnipotent immortality; *social evolution* has yet to reach the stage where defective cultural genes are a thing of the past just the same.<sup>339</sup> Until then, societal diseases and cultural "genetic defects" remain; death and decay are a constant factor that strike when left unattended. Will the omega point of perfection ever be reached, one might ask? As mentioned before, such a question is irrelevant in the face of infinite time and space. But are major positive improvements possible? Without a doubt. Yet this is one of the reasons why libertarianism is not more popular than it is: contrary to socialism, it does not pretend to offer automatic utopia provided by unseen magically altruistic (or sacrificed) others, and neither does it pretend to offer the final solution to everybody's problems. Instead it asks effort, competence and responsibility of all individual agents. Few people see this as a good thing, either because they (perhaps unjustly) doubt their own self worth, or, perhaps, because they know they are - when it comes down to it - not worth all that much.<sup>340</sup>

But having said that, if one looks at history, is there really any doubt about social Darwinism really being at work or not? If anything, history is a marvelously beautiful example of how evolution works and a testament to the success of capitalism and the failure of collectivism, a triumph of reality and at the same time a total defeat of whatever tries to ignore it. Collectivistic States collapse; capitalistic societies prosper, and those who turn collectivistic after capitalistic expansion are doomed to collapse themselves once the reserves (human capital as much as economic capital) are burnt through. History repeats itself: it is an old cliché, but in spite of its popularity, its full extent and relevance seems to be but meagerly realized. At the same time, to think that failing once means that the flaw is thereby eradicated forever is to have too simplistic a view of how nature, evolution (be it biological or social) and the universe

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<sup>336</sup> See the example of the woman who picks one suitor over another in an earlier footnote if the absurdity of such reasoning by B and his democratic mob is not yet apparent enough.

<sup>337</sup> See Chapters 5 and 6.

<sup>338</sup> A constant "becoming" and never a mere "being", as mentioned before.

<sup>339</sup> Which is not to imply that such a stage will ever be "reached". See the previous footnote.

<sup>340</sup> As the saying goes: "*they are dangerous because they are weak*; they need somebody to parasitize".

as a whole works. In exactly the same way that nature is unable to stop defective genes from repeating themselves once the bad specimen was weeded out, humanity never *consciously* learns from past mistakes. Just because socialism has failed time and time again, it does not mean that it will never pop up again or with less any vigor. After millions of years of evolution spanning countless generations, genetic defects remain or have simply reappeared as mutations just the same. The whole process of evolution is naturally amoral and absolutely ruthless however in deciding which entities live on and which die out; both on a biological as well as on a cultural and societal level. Thinking of civilizations and cultures as a group of species, they all have different as well as common characteristics: some are fit to nature and others are not, and their survivability depends on it. In this sense then, a wrecked economy is the societal equivalent of a dead biological specimen.

But here we are as human beings. While the forming of culture and civilization is a blind and unconscious process in the same way that biological evolution is, we ourselves *as individuals* are able of performing *conscious* thought and are able to consciously recognize patterns and *learn* from past mistakes. In essence, this creates the ability to steer away from disaster instead of having to simply let nature and reality deal with it repeatedly through blind and ruthless trial and error in a game that, ultimately, only deals in life and death.

Yet, "as the doctors say of a wasting disease; at the start it is easy to cure but difficult to diagnose, but after time it becomes easy to diagnose but difficult to cure. So it is with politics. [But] time contains the seeds of all things, good as well as bad. [...] It should be borne in mind that there is nothing more difficult to handle, more doubtful of success and more dangerous to carry through, than initiating changes in a State's constitution. The innovator makes enemies of all those who prospered under the old order, and only lukewarm support is forthcoming from those who would prosper under the new. Their support is lukewarm partly from fear of their adversaries, who have the existing laws on their side, and partly because men are generally incredulous, never really trusting new things. [...] That is why all armed prophets have conquered, and unarmed prophets have come to grief. [...] The populace is by nature fickle; it is easy to persuade them of something, but difficult to confirm them in that persuasion" (Machiavelli, 1513:12).

At the time of writing, the socialist system of State interventionism is collapsing the economy all around us and - if history gives us any indication - will continue to more absurdly do so straight into escalating economic oblivion.<sup>341</sup> However, it should be noted that "the distinctive principle of Western social philosophy is individualism. It aims at the creation of a sphere in which the individual is free to think, to choose, and to act without being restrained by the interference of the social apparatus of coercion and oppression, the State. All the spiritual and material achievements of Western civilization were the result of the operation of this idea of liberty. This doctrine and the policies of individualism and of capitalism and its application to economic matters, do not need any apologists or propagandists" (von Mises, 1958).

Indeed, the achievements speak for themselves.

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<sup>341</sup> A Chapter on the socialist origins of the 2007 financial crisis (central banking) and the unavoidable currency crisis which is to follow has due to time constraints and matters of scope not been included in this thesis. I am however planning on writing more about this and am in the meantime always happily available to explain or discuss this matter either briefly or in depth with those who want to.

## Afterword

I would like to thank my promoters, professor Van Ootegem and professor Peferoen, for their effort, patience and encouragement in pointing out obscurities as well as opportunities in the various versions of this text over the course of the past several months. I can only hope that I have been able to repay their trust with something they have enjoyed to follow up and read as much as I have enjoyed writing it. In similar vein, my family and friends, who have had to endure years of countless discussions as I tested my arguments against their honest criticism, know that they need not doubt my cordial gratitude. May we enjoy each other's company for a long time to come.

As to myself, in the symbiosis of Nietzsche and "classical" libertarianism as most libertarians understand it today, I found a combination of several of my passions. Economics, philosophy, history and politics all have had their part to play in the way in which I have come to see the world as I see it today. My own will to power - to stay in character - has lead me to strive (in the broadest sense) for my own views of right and wrong, based on what I see as the rational outcome of nature and reality. It is essentially nothing more than a system of supply and demand in its very own right: I myself am doing my best to increase the supply of libertarianism with the help of this thesis, dropping the price of coming into contact with it for the latent demand which experience tells me is lying dormant within the hearts and minds of my generation.

In closing I would like to leave my readers with one final observation. Throughout history, inanimate matter turned to life, bacteria turned to fish, fish started walking on land, apes evolved into bipedal human beings, nomadic hunter-gatherers became sedentary farmers, despotism changed to monarchy, monarchy shifted to democracy, and as you and I are both reading these very words, there is no reason whatsoever to assume that democracy and statism is the ultimate omega point of humanity from the here and now into never-ending eternity.

While the contents of libertarian philosophy are no doubt considered radical by today's statist standards, anybody who cares to take a look at human history is well aware of the fact that political and societal systems change. And every time they do, very few people realized the fascinating economics permeating such events, what the next step was going to be and how or when it was to come about. "Who writing about politics today might have joined the American 'founding fathers' in their conspiracy to overthrow imperial rule? The question is an important one, because this event, more than any other in our history, embodies the core of the libertarian idea: that men are entitled to liberty from despots" of any denomination (Rockwell, 2007).

This idea was acted upon by real people like you and I against the powerful and really existing States of their times. It is acted upon today, and there is no reason to think that it will not be acted upon in the future with equal sincerity.

My freedom leads to yours and your freedom leads to mine: it is with the purpose of expanding and maintaining my own freedom that I encourage others to do the same.

Time will tell.

Christophe Cieters

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