

## Phil. 2200

### Notes #20: Socialist “Anarchism” (Bakunin)

#### I. Background

- Government: Defined by Max Weber as “a human community that (successfully) claims the *monopoly of the legitimate use of physical force* within a given territory.”<sup>1</sup>
- Anarchists believe in a social order without coercion or government.
- Typical motivations: freedom, equality, failure of arguments for legitimacy. The dangers of government.
- Varieties of anarchism: Socialist vs. Capitalist.
- Mikhail Bakunin (1814-1876): Russian revolutionary, one of the leading figures of socialist anarchism. Critic of Marx, esp. Marx’s “dictatorship of the proletariat.”

#### II. Basic Value Principles

- Supreme value: Freedom.
  - Freedom should never be sacrificed in the guise of protecting freedom.
  - Everyone’s freedom is inviolable.
  - Individuals’ freedom does not conflict.
  - Consequence: Absolute right of any person or group to secede from any association.
- Equality
  - Equality necessary for freedom.
  - Equality of political rights. Everyone has an equal share in governance. (Men as well as women.)
  - This also requires economic/social equality.

#### III. Political Organization

- Society organized into small communes.
  - Membership is voluntary.
  - Members vote for lawmakers, judges, and functionaries.
- Communes organize into provinces.
  - For mutual protection.
  - Again, purely voluntary.
  - Provincial parliament elected by the communes.
  - Serves to mediate disputes between communes, & represent interests in the national government.
- Provinces organized into nations.
- Nations organized into an international federation.

#### IV. Policies

- People who don’t work lose political rights and their children.
- People who violate laws will be punished according to the laws. However, they can escape by leaving the association.

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<sup>1</sup>Max Weber, “Politics as a Vocation,” pp. 77-128 in *From Max Weber: Essays in Sociology*; ed. H. H. Gerth and C. Wright Mills (New York: Oxford University Press 1946), p. 78; emphasis in original.

- They may also be expelled from the association. (& from the territory?)
- Society supports anyone who needs support, incl. pregnant women, children, elderly, handicapped.
- Free education.
- Free speech/press, freedom of religion, but no state support for religion.
- The commune must educate children.
- The commune may take children away who are abused by their parents.
- No standing armies.
- All voluntary interactions among adults allowed, even “exploitative” ones.
- How equality will be achieved:
  - Not through expropriation.
  - Abolition of inheritance.
  - Right of everyone to free education.
  - Some inequality will remain, but it will be small.
  - Factories, etc., run as worker cooperatives.

## V. Objections

- Is this anarchy?
  - Government: citizenship & obligations thereof are involuntary.
  - Bakunin’s associations are voluntary & you can leave at any time.
- How to prevent people from committing crimes, without involuntary punishment?
  - Ultimate sanction: expulsion from the community.
  - Why wouldn’t you commit crimes, and then leave the commune to escape punishment?
    - \* Commune provides economic needs.
    - \* And protection.
    - \* Other communes may not accept you after your crime.
- National defense without a standing army: Will it work?
  - Individuals are armed.
  - This was the original American plan (as mentioned on 86-7).
  - May work if there are no large, aggressive, technologically advanced enemies.
- Will approximate equality really result?
  - Bakunin assumes people’s natural abilities & economically relevant traits are approximately equal. Is this true?
- Will capitalism emerge?
  - Bakunin assumes that worker cooperatives would naturally replace traditional, ‘capitalist’ firms.
  - What if capitalist organization is more efficient? What if some people are especially talented at management?
- Social provision of welfare needs: is it stable?
  - Commune A provides welfare for anyone who needs/wants it. Care for elderly, handicapped, children, free public education for everyone, including university level.
  - Commune B does not.
  - Both communes allow free immigration/emigration.
  - Which commune is more successful economically?
  - What happens to these two communes over time?

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Notes #21: Anarcho-Capitalism (Friedman)

To Discuss Today:

- What are “government” and “anarchy”?
- Police, courts, & laws without government?
- Government & the public goods problem

I. ‘Government’ & ‘Anarchy’

*Important concepts:* (Friedman’s def’s)

- *Coercion:* Violation of what people generally regard as the rights of individuals with respect to other individuals.
- *Legitimized:* Generally accepted as legitimate in a given society.
- *Government:* An agency of legitimized coercion. Examples:

Action	What it’s called if you do it	What it’s called if the state does it
Seizing someone’s property without their permission	Robbery / extortion	Taxation
Forcing people to work for you	Kidnaping / slavery	Conscription, jury duty, national service
Killing lots of people (For a political goal)	Mass murder (Terrorism)	War

- *Anarcho-capitalism:* Society with no government, but with private property. Provides ‘governmental’ services by alternative institutions.

II. Police, Courts, & Laws under Anarchy

- How would these presently governmental institutions be replaced?
- ‘Police’: Private security guard companies protect people from criminals. There are multiple competing companies in the same area.
- Courts: Private arbitration firms are used to resolve disputes. There are multiple competing arbitration companies. Private contracts specify arbitration agreements. Protection agencies sign arbitration agreements with each other.
- Law: Laws are made by judges/arbitrators. *Note* compare the British common law.

III. Advantages of Anarchy

A. *Non-coercive*

- *Governmental system:* you are forced to accept a government, and have little or no control over what kind of government you have.

- *Anarcho-capitalism*: You choose whether to hire a protection agency, and which one.

*B. Less potential for abuse of power:*

- *Governmental system*: Government has a monopoly ! There is no one to stop the government from abusing its powers.
- *Anarcho-capitalism*: Competition among many protection agencies ! Customers can leave a bad agency.

*C. More efficient:*

- *Governmental system*: Police have no incentive to reduce crime. If crime rates go up, they get more money & more police are hired.
- *Anarcho-capitalism*: Protection agencies have an incentive to reduce crime. If crime goes up, they may be fired.
- Empirical observation: The free market is more efficient at producing food, shoes, computers, automobiles, etc., than the government is. How is protection any different?

*D. Removes public goods problem:*

- *Governmental system*: Informed voting is a public good. Laws & protection are public goods.
- *Anarcho-capitalism*: Good laws & protection become private goods.

*E. Less likely to blow up the world:*

- Government is the source of all weapons of mass destruction that have ever been devised.
- We have people constantly working on more.
- Government will probably destroy the human species one day. The United States government is likely to be involved.

#### IV. The Problem of Monopolies

- *“Natural monopoly”*:
  - Occurs when the optimum size for a firm is so large that there is room for only one such firm on the market.
  - This situation is very rare.
  - Even natural monopolies are restrained by “potential competition.”
  - All products compete with all other products.
- *Artificial monopoly: the strategy of ‘predatory pricing’*:
 

Problems:

  - Larger firm loses more total money.
  - Larger firm usually less efficient.
  - The monopolist must sell to everyone, at a loss; small firm can choose customers, or hold on to inventory.
  - Monopolist forced to increase production, losing even more money.
- *Artificial monopoly: Buying out the competition*:
 

Problem: People start building factories to sell them to you.
- *Cartels*:
  - Have all the problems of monopolies.
  - Additional problem: ‘chiseling’
  - Compare: why don’t all the farmers refuse to feed anyone unless everyone agrees to give them everything?

• *State Monopoly:*

- Almost all actual monopolies are government-enforced. Government agencies get taken over by the industry & used to the industry's advantage. Why:
  - \* They are the ones who know most about the industry.
  - \* They have the most incentive to try to influence the agency. Influencing policy is costly, time-consuming.
- Examples:
  - \* The Civil Aeronautics Board
  - \* The American Medical Association
- Could this problem be solved in a better government?
  - \* The pattern is not an accident. It is built into the logic of the system.

## V. Further Questions

1. *Wouldn't the security agencies fight with each other?*

- They would take disputes to the arbitration firms, because this is economically rational.
- *Contrast:* what happens when governments decide to fight each other?

2. *Why would agencies obey an arbitrator's decision?*

- Companies abide by arbitrators' decisions; otherwise their reputations are ruined.
- Violating decision defeats the point of going to arbitration.
- Companies gain nothing by defending criminals (see #4).

3. *How could you know the arbitrator was fair?*

- Competition among arbitration agencies ! you choose a reputable firm.
- *Contrast:* What do you do when the government's courts are unfair, irrational, inefficient, etc.?

4. *What if one security agency decides to defend murderers, thieves, etc.?*

- Their clients would constantly be costing them money. (Compare: "The Arsonists' Fire Insurance Agency.")
- They fight a constant war against the rest of society.
- They must pay higher wages to their employees.
- The "Thief Protection Agency": They must charge their clients more money than the stolen goods are worth.
- *Contrast:* What happens if you get corrupt people in the government?

5. *Why would security agencies protect the poor?*

- Why would this be different from any other good or service? Why do food companies feed the poor?
- They're already paying for protection (from the state). Private protection would be cheaper and more effective.
- *Contrast:* Why would the government protect the poor? How well do they in fact protect the poor?

*6. Wouldn't other countries attack the anarchists?*

- Ideally, the whole world would be anarchist.
- Almost all wars are due to (i) disagreements between governments, (ii) racial and/or religious hatred, and/or (iii) perceived historical injustices. (Compare: Why don't other countries attack Switzerland?)
- It is harder to take over a territory with no government, than one with a government. Attacking countries use the governmental structure already in place to control the populace.
- The security agencies & the general population would be armed. (Compare: U.S. experience in Vietnam.)
- Anarchy most likely to occur (i) in a small place, with no historical enemies, (ii) at a time when all or most of the rest of the world is democratic.

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### Notes #22: Objections to Anarchy

#### I. Wellman

1. Society needs a uniform set of rules for given geographical areas.
  2. Anarchy cannot produce a uniform set of rules.
    - a. Not everyone would join the same protection agency. (Independents, competing firms...)
    - b. Protection agencies would conflict just as their customers conflict.
  3. Therefore, society needs a government.
- Claim (2b) is answered by Friedman.
  - Is uniformity needed? Why?
    - What is important: *predictability*. This is not the same as uniformity.
  - How would anarchy produce predictability?
    - Arbitration agreements between protection agencies.
    - Arbitrators make consistent decisions, because their customers value predictability.
    - Customers value predictability for the same reason that Wellman thinks predictability is good.
  - What about simplicity and uniformity?
    - Customers may also value these things. Courts could then provide them.
    - How would courts provide them? Compare *stare decisis* & the common law.
    - Examples of other coordination problems: screw & bolt sizes, computer components, keyboard layouts
      - \* Standardization is desirable in all these cases
      - \* It is achieved without coercion or central planning
      - \* Consumers desire uniformity; producers see profit in conforming to a standard.

#### II. Birch

- Justice: Criminals should compensate victims in full + pay costs of enforcement.
  - Restitution ratio: The ratio of the judgment against the defendant to the costs that the defendant imposed.
  - The just restitution ratio is 1.
- Anarcho-capitalist courts would raise the restitution ratio above 1.
  - They acquire more customers by doing so.
  - This is already unjust.
- The system crashes:
  - As R increases, crime plummets.
  - Eventually, all but one court go out of business.
- Outcomes:
  - Last court may go out of business # chaos & crime wave.
  - Last court stays in business # becomes the state.
  - Maybe an honest court resists the restitution-ratio increases # it becomes a state.
- Anarcho-capitalism either evolves into a state, or collapses into chaos.
- *Responses*: Why this might not happen:
  - Too high restitution ratio makes the restitution unrecoverable.
  - May also induce criminals to fight rather than submit to arbitration.
  - Could the criminals bring a case against the unjust arbitration company?

- Customers may disapprove of unjust agencies. Surveys show crime victims are *not* more punitive than average people. This works iff there is a general social consensus (a custom) on the restitution ratio.

### III. Cowen

- Consumers desire peace among security agencies. Two possibilities:
  - *Option 1:* A stable “network” of agencies evolves. (Cowen seems to intend some kind of multi-lateral contract among all the security companies, for how disputes between their clients should be resolved.)
  - *Option 2:* No stable network evolves.
- If no network evolves, we have chaos.
  - Warfare between agencies.
  - Lack of predictable, effective laws.
- If a network evolves (as Cowen seems to believe):
  - The network can act like a monopoly (or cartel), to restrict output & increase prices.
  - They could introduce taxation.
  - They could even expand into other sectors of the economy.
- How would the collusion work:
  - The network enforces conformity through punishing “outlaw” agencies.
    - \* Refuse extradition.
    - \* Refuse arbitration with them, resort to violence.
  - Why collusion here is more likely than in other industries:
    - \* In other industries, cartels often break down due to free riding & a sort of prisoner’s dilemma situation.
    - \* In this case, the value of the product of the cartel is greater than the value of non-aligned firms’ product.
    - \* This is not usually true in other industries. (Grocery example.)
  - Why is this collusion more likely than collusion among governments?
    - \* These firms are driven by profit.
    - \* Governments have less competition to begin with, so less motive to collude.
    - \* Governments do a lot more than deal with legal relations between citizens.
- How we might avoid government
  - Maybe consumers would own the arbitration firms (mutuals or cooperatives).
  - Collusion would occur only if approved by shareholders/consumers.

### IV. Objections to Cowen

- Friedman: Peace is assured by a *collection of bilateral agreements* between agencies.
  - There is no single, multi-lateral agreement.
  - The arbitration agreements have no decision-making body.
  - The bilateral agreements will not be to raise prices or restrict output, because this would leave the pair of firms vulnerable to all the other firms.
- Cowen: But why *couldn't* a large collection of firms form a cartel?
  - The multi-lateral agreement might have lower transaction costs, provide uniformity, hence provide a better product.
  - Protection is a *network industry*.
    - \* Cooperation with other firms is essential to the value of the product.

- \* This is untrue of supermarkets & most other industries.
- Maybe Friedman thinks transaction costs will make establishment of the network impracticable. But then “if collusion, one public good among agencies, cannot be provided, neither can the punishment of renegades be provided, another public good among agencies.” (294)
- Caplan (not in readings):
  - Distinguish *coordination problems* from *prisoner’s dilemmas*
    - \* *Coordination problem*: A situation in which a group of agents (people, companies, or whatever) can each profit *if* they can coordinate with each other (e.g., choose some common standard), or lose if they fail to coordinate. Example: driving on (which?) side of the road, bilateral monopoly.
      - Conformity is self-enforcing. Individual non-conformists hurt themselves.
    - \* Prisoner’s dilemmas: A situation in which a group of people (usually 2 people) each individually profit most from some action (called “defection”), regardless of what the others do; yet everyone is worse off if *everyone* defects than they would be if *no one* defected. Examples: polluting, talking loud at party.
      - Conformity requires independent enforcement. Conformity by others makes non-conformity more profitable for individuals.
    - \* Arbitration agreements are coordination problems. Price fixing is a PD.
    - \* A network may have sufficient strength to solve a coordination problem, but not to solve a PD.
  - Empirical evidence: Network industries rarely successfully collude.
    - \* Credit card network.
    - \* Bank clearinghouses.
    - \* PC computers.
    - \* Exception: The NCAA.

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**Outline of Unit 6**

At the end of unit 6, students should know:

**These people's basic views:**

**Bakunin on:**

Socialist anarchism  
how it is organized  
how it deals with criminals  
how it achieves equality  
The supreme value  
Right of secession

**Friedman on:**

How police services should be provided  
How security companies resolve disputes & why  
How law should be provided  
How monopolies usually get established  
How government creates a public goods problem  
Why government serves special interests  
Why Cowen's collusion doesn't occur

**Wellman**

Why we need government

**Birch**

What happens to the restitution ratio  
Ultimate results of anarchy

**Cowen**

Results of protection network  
Problem for lack of network  
Why collusion works for protection (but not other industries)

**These concepts:**

Public goods problems  
Monopolies  
natural, artificial, state  
Government (Friedman's def), coercion  
Uniformity (of law) vs. predictability  
Restitution ratio  
Common law  
Network industry  
Coordination problem

**These examples & what they show:**

The stolen TV & the 2 security agencies (Friedman)  
The Civil Aeronautics Board  
The Arsonists' Fire Insurance Company  
Grocery stores (vs. protection companies)  
The Visa network