

ANARCHOCAPITALISM VERSUS CLASSICAL LIBERALISM*

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Introduction

In this first decade of the twenty-first century, classical liberal thought, in both its theoretical and political aspects, has reached a historic crossroads. Although the fall of the Berlin Wall and of real socialism beginning in 1989 appeared to herald “the end of history” (to use Francis Fukuyama’s unfortunate and overblown phrase), today, and in many respects more than ever, statism prevails throughout the world, accompanied by the demoralization of freedom lovers. Therefore, an “aggiornamento” of classical liberalism is imperative. It is time to revise liberal doctrine and bring it up to date in light of the latest advances in economic science and the experience the latest historical events have provided.

This revision must begin with the acknowledgement that classical liberals have failed in their attempt to limit the power of the state and that today economic science is in a position to explain why this failure was inevitable. The next step is to focus on the dynamic theory of the entrepreneurship-driven processes of social cooperation which give rise to the spontaneous order of the market. This theory can be expanded and transformed into a full-fledged analysis of the anarchocapitalist system of social cooperation, which reveals itself as the only system that is truly viable and compatible with human nature.

Now, we will analyze these issues with more detail, along with a series of additional, and practical considerations regarding scientific

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and political strategy. Also, I will try to use this analysis to correct certain common misunderstandings and errors of interpretation. Now, which is the fatal error of classical liberalism?

The fatal error of classical liberalism

The fatal error of classical liberals is their failure to realize that their ideal is theoretically impossible. It contains the seed of its own destruction, precisely to the extent that it defends as necessary the existence of a state (even a minimal one), understood as the monopolist agent of institutional coercion. Classical liberals view classical liberalism as a plan of political action to limit the power of the state, but they accept its existence and even consider the state a necessary evil.

However, today (in the third decade of the twenty-first century) economic science has already shown: (1st) that the state is unnecessary; (2nd) that statism (even if minimal) is theoretically impossible; and (3rd) that, given human nature, once the state exists, it is impossible to limit its power. We will comment each one of these matters.

The state as an unnecessary entity

First: Why the state is unnecessary. From a scientific perspective, only the mistaken paradigm of equilibrium could encourage belief in a category of “public goods” in which satisfaction of the criteria of joint supply and non-rivalry in consumption would justify, the existence of an entity with a monopoly on institutional coercion that would oblige everyone to finance those goods.

Nevertheless, the dynamic, Austrian conception of the spontaneous order has demolished this entire theory put forward to justify the state: the emergence of any case of a “public good,” with (real or apparent) joint supply and non-rivalry in consumption, creates the incentives necessary for the impetus of entrepreneurial creativity to find a better solution through technological and legal innovations and entrepreneurial discoveries which make it possible to overcome

any problem that may arise. For instance, in the United Kingdom, the lighthouse system was for many years privately owned and financed, and private procedures (like sailors' associations, port fees, spontaneous social monitoring, etc.) offered an effective solution to the "problem" of what economics textbooks depict as the most typical example of a "public good." Likewise, in the American Far West, the problem arose of defining and defending property rights concerning, for instance, head of cattle in vast areas of land. Several entrepreneurial innovations which resolved the problems as they arose were gradually introduced (like cattle branding, constant supervision by armed cowboys on horseback, and finally, the discovery and introduction of barbed wire, which, for the first time, permitted the effective separation of great pieces of land at a very low price). This creative flow of entrepreneurial innovation would have been completely blocked if the resources had been declared "public," excluded from private ownership, and bureaucratically managed by a state agency.

Most people believe the state is necessary because they confuse its existence (which is unnecessary) with the essential nature of many of the services and resources it currently (and poorly) provides. People observe that today highways, hospitals, schools, public order, etc. are largely supplied by the state, and since these are highly necessary, most conclude without further analysis that the state is also necessary. They fail to realize that these resources can be produced with a much higher standard of quality more efficiently and less costly, through the spontaneous market order, entrepreneurial creativity, and private property.

Moreover, people make the mistake of believing the state is also necessary to protect the poor and more vulnerable people (like "small" stockholders, ordinary consumers, workers, etc.). However, people do not understand that these protective measures have the systematic result of harming in each case precisely those they are claimed to protect, and thus one of the most accepted justifications for the existence of the state also disappears.

Rothbard said that the set of goods, services, and regulations the state currently supplies can be divided into two groups: those which should be eliminated, and those which should be privatized, like highways, hospitals, schools, public order, and so on, and

should they be privatized they would be provided by the market with higher quantity and quality, and at a more reasonable price.

And the historical episodes of institutional chaos and public disorder that result from a vacuum in the provision of these goods, is responsibility of the states themselves, which neither do with a minimum of efficiency what in theory they should do, nor let the private, entrepreneurial sector provide them, since the state prefers disorder, which strongly tends to legitimize its coercion to its dismantling and privatization at all levels.

It is important to understand that the definition, acquisition, transmission, and defense of the property rights which coordinate and drive the social process do not require the state. On the contrary, the state invariably attacks many property titles, defends property rights very poorly, and systematically corrupts the moral behavior of individuals with respect to the private property rights of others.

Furthermore, the true law is evolutionary and rests on custom. It precedes and is independent of the state, and does not require, for its definition and discovery any agency with a monopoly on coercion. Not only is the state unnecessary to define the law; it is also unnecessary to enforce and defend it. And this should be especially obvious nowadays, when the use, even by many government agencies, of private security companies has become very common.

The lack of a priori knowledge of how the market would solve the countless specific problems related with the complete privatization of the current goods currently supplied by the state is the naïve, easy objection of those who favor the current status quo under the pretext, "better the devil you know than the devil you don't". But, we cannot know today what specific solutions an army of entrepreneurs would create for each particular problem if they were allowed to do so. However, even the most skeptical must admit "we now know" that the market, driven by creative entrepreneurship, works, and it works precisely to the extent that the state does not coercively intervene in the social process.

Today, the difficulties and conflicts arise precisely in all the areas where the free, spontaneous order of the market is hindered. Regardless all the efforts made from the time of Gustav de Molinari to the present to imagine how an anarchocapitalist network of private

security and defense agencies would work, libertarians must never forget that what prevents us from knowing what a stateless future would be like (which is the creative nature of entrepreneurship) is precisely what offers us the peace of mind that any problem will tend to be overcome. Why?: Because human beings will devote all of their effort and creativity to solve every problem (Kirzner 1985, 168).

But economic science has taught us not only that the market works, but also that statism is theoretically impossible.

Why statism is theoretically impossible

The Austrian theory on the impossibility of socialism must be expanded (Huerta de Soto 1992, 151-153) and transformed into a complete theory on the impossibility of statism. The state cannot possibly achieve any of its goals, for example in the areas of money and banking, the discovery of true law, or the dispensing of public order, understood as the efficient prevention and just punishment of criminal acts, for the following four reasons:

First, the state needs a huge volume of information, and this information is only found in a dispersed way in the minds of eight billion people who participate each day in the social process.

Second, the information governments need for their commands to exert a coordinating effect is mostly tacit and inarticulate in nature, and thus it cannot be clearly and explicitly transmitted to them.

Thirdly, the information society use in the social process is never "given", on the contrary it constantly changes as a result of human creativity. And it is obvious the impossibility of transmitting today the information which will only be created tomorrow and which is precisely the information the government needs to achieve its objectives tomorrow.

And *fourth*, finally and above all: to the extent state commands are obeyed and impact on society, their coercive nature blocks the entrepreneurial creation of the very information the state most desperately needs to make its own commands coordinating.

But not only is statism theoretically impossible for the reasons just given, it also continually produces many highly damaging side

effects: for instance, government irresponsibility because the authorities do not know the true cost of their interventions; or, the destruction of the environment when it is declared a public good; or the corruption of the traditional concepts of law and justice, which are replaced by commands and the so called “social” justice (Hayek 1982); or finally, the corruption of individual behavior, which becomes more and more aggressive and less and less respectful of morality and true law.

We must conclude that if we have seen certain societies thrive, they do so not because of the state, but in spite of it (Rodríguez Braun, 1999). For many people are still behaving according to the true law; several areas of greater relative freedom remain; and happily the state tends to be also very inefficient at imposing its clumsy and blind commands. And, even the most marginal increases in freedom provide great boosts to prosperity, which illustrates how far civilization could advance without statism.

Finally, we must refer to the false belief held by all those who identify the state with the provision of the (“public”) goods it now provides (poorly and with great cost) and who wrongly conclude that the disappearance of the state would necessarily mean also the disappearance of these valuable public services. This erroneous belief grows in an environment of constant political indoctrination (especially in the educational system, which, for obvious reasons, no state wishes to lose its control). An environment of “political correctness” is constantly imposed, and the *statu quo* is rationalized by a complacent majority of the population which cannot see the obvious: that the state is nothing but an illusion created by a minority to live at the expense of others, others who, as Étienne de La Boétie said already in 1576, obey like servants, who first are exploited, then corrupted, and finally paid all sorts of subsidies and political “favors”, with resources previously taxed on them.

The impossibility of limiting the power of the state: its “lethal” character in combination with human nature

Now, once the state exists, it is impossible to limit the expansion of its power. Granted, as Hoppe indicates, certain forms of government

(like absolute monarchies, in which the king-owner will, *ceteris paribus*, be more careful in the long term to avoid “killing the goose that lays the golden eggs”) will tend to expand their power and intervene somewhat less than others (like democracies, in which there are no real incentives to worry about what will happen after the next elections). It is also true that in certain historical circumstances, the interventionist tide has appeared to have been limited to a certain extent. However, the historical analysis is irrefutable: the state has not ceased to grow (Hoppe 2001). And it has not ceased to grow because the mixture of human nature with the existence of the state, is “explosive.” The state acts as an irresistibly powerful magnet which attracts and propels the worst passions, vices, and aspects of human nature. And particularly in democracies, the combined effect of the privileged interest groups, government short sight and vote buying, the megalomaniacal nature of politicians, and the irresponsibility and blindness of bureaucracies amounts to a very dangerous, unstable and explosive cocktail, which constantly creates, social, economic, and political crises which, politicians and social “leaders” never fail to use as justification for subsequent doses of intervention, that at the end of the day always creates new and greater problems.

Nowadays, the state has become the “idol” everyone worships. Statolatry is the most dangerous social disease of our time. We are taught to believe all problems can and should be detected in time and solved by the state. Our destiny lies entirely in the hands of the state, and the politicians must guarantee our welfare. Human beings keep immature and rebel against their own creative nature. They demand a crystal ball show them what will happen in the future, and specially that any problems which arise will be resolved by the state. This “infantilization” of the masses is fostered by politicians and social leaders, since in this way they justify their existence and guarantee their popularity, predominance, and governing capacity. Furthermore, a legion of intellectuals, professors, and social engineers join in this arrogant binge of power (Étienne de La Boétie, 1555-53,2010).

Not even the most respectable churches have been able to get an accurate diagnosis of the problem: that today statolatry poses the main threat to free, moral, and responsible human beings; that

the state is an enormously powerful false idol which is worshipped by all and which will not tolerate anyone freeing from its control nor having moral loyalties outside its control. In fact, the state has managed to distract the citizenry from the fact that the true origin of all social conflicts and evils lies with the government itself, by creating all types of scapegoats (like "capitalism," the desire for profit, private property). The state places the blame for every problem on these scapegoats and makes them the target of popular anger and even of the condemnation from moral and religious leaders, and almost none has dared until now to denounce that today, statolatry represents the chief threat to religion, morality, and human civilization.

Just as the fall of the Berlin Wall in 1989 provided the best historical illustration of the theorem of the impossibility of socialism, the huge failure of classical-liberal theorists and politicians to limit the power of the state perfectly illustrates the theorem of the impossibility of statism, specifically the fact that a liberal, or even worse a libertarian state, is a self-contradictory concept and theoretically impossible (since once we accept the existence of the state, it is impossible to limit the expansion of its power). In short, the state based on the rule of law is an impossible ideal and a contradiction in terms as flagrant as that of "...hot snow, wanton virgin, fat skeleton, round square" as anthony de Jasay said already in 1990 (Jasay 1990,35).

And now let us see why anarchocapitalism is the only possible system of social cooperation truly compatible with human nature

Statism runs counter to human nature, since it consists of the systematic, monopolistic exercise of a coercion which, in all areas where it is felt (including those corresponding to the definition of law and the maintenance of public order), the state blocks the creativity and entrepreneurial coordination which are precisely the most typical and essential manifestations of human nature. Furthermore, statism fosters and drives irresponsibility and moral corruption, as it diverts the focus of human behavior towards political power, within a context of ignorance that makes it impossible to know the true costs of each government action. The effects of statism appear whenever a state exists, even if every attempt is made to limit its power, which is an impossible goal which renders classical liberalism an unfeasible

utopia. And being the state not only essentially immoral, as the state is the great amplifier and magnifier of the ill and tragic consequences of all human vices, the great enemy of peace and justice, and if at the same time the market can provide all public goods cheaper and with higher quality, purely precautionary and utilitarian reasons clearly advise the complete abolition of the state.

It is necessary to overcome the “utopian liberalism” of our predecessors, the classical liberals. They were both naïve in thinking the state could be limited, and incoherent in failing to carry their ideas to their full logical conclusions. Today, in the third decade of the twenty-first century, our top priority should be to abandon the classical liberalism of the nineteenth century to follow its new, truly scientific and modern formulation, which we could call libertarian capitalism, private property anarchism, or simply, anarcho-capitalism. For it makes no sense for freedom lovers to continue saying the same things they said two hundred years ago when, despite the fall of the Berlin Wall more than thirty years ago, states have not ceased to grow in all areas and encroach upon people’s individual freedoms.

Anarchocapitalism is the purest representation of the spontaneous market order in which all services, including those of defining law, justice, and public order, are provided exclusively through a voluntary process of social cooperation which thus should be the focal point of research in modern economic science. In the anarchocapitalist system, no area is closed to the drive of human creativity and entrepreneurial coordination. Efficiency and fairness increase in the solution of problems, and the conflicts, inefficiencies, violence and discoordination which typically arise from state coercion, are eradicated. Moreover, anarchocapitalism eliminates the corrupting incentives created by the state, and in contrast fosters the most moral and responsible human behaviors, while preventing the emergence of any state or monopolistic body of coercion which legitimizes the systematic use of violence and the exploitation of the majority of social groups (which have no choice but to obey like servants) by others (those who control state power in each historical moment).

Anarchocapitalism is the only system which fully recognizes the free, creative nature of human beings and their capacity to

internalize increasingly moral behavior patterns in an environment in which, no one can arrogate to himself the right to exercise monopolistic, systematic coercion. In short, in an anarchocapitalist system, any entrepreneurial project can be tried if it attracts enough voluntary support, and therefore many possible creative solutions can be devised and tried in a dynamic and constantly changing environment of voluntary cooperation.

The progressive replacement of states by a dynamic network of private agencies which back different legal systems and also provide all sorts of security, crime prevention, and defense services constitutes the most important item on the political and scientific agenda of the future, as well as the most exciting social change that could take place in the twenty-first century.

And to conclude let us talk about the revolutionary implications of this new paradigm.

The classical liberal revolution of the eighteenth and nineteenth centuries against the ancient régime finds its natural continuity today in the anarchocapitalist revolution of the twenty-first century. Fortunately, we have discovered the reason behind the failure of that utopian liberalism as well as the need to overcome it with a true scientific liberalism. And we know why the old revolutionaries were naïve and mistaken in pursuing an unattainable ideal which, throughout the twentieth century, opened the door to the worst statist tyrannies humanity has ever known.

Yes, the message of anarchocapitalism is revolutionary. It is revolutionary in its end: the dismantling of the state and its replacement by a competitive market process in which a network of private agencies, associations, and organizations take part. It is also revolutionary in its means, particularly in the scientific, economic-social, and political fields.

- a) Scientific Revolution: On the one hand, In the scientific field, economic science becomes the general theory of the spontaneous market order extended to all social realms. On the other hand, economic science incorporates the analysis of the social discoordination statism produces in every area (including law, justice, and public order). In addition, the different methods for dismantling the state, the transition processes

involved, and the ways and effects of wholly privatizing all services now considered “public” comprise an essential field of research for our discipline.

- b) Economic and Social Revolution: Together with this scientific revolution a new economic and social revolution arises. Because we cannot even imagine the spectacular human achievements, advances, and discoveries that will be possible in an entrepreneurial environment completely free from statism. Even today, despite continual government harassment, an unknown civilization has begun to develop in an increasingly globalized world. It is a civilization with a degree of complexity for which the power of statism is no match, and should it be totally rid of statism, it will expand without limit. For the force of creativity in human nature is such that it inevitably sprouts up through even the thinnest cracks in the government’s armor. As soon as people gain a greater awareness of the fundamentally perverse nature of the state that restricts them, and once they perceive the tremendous opportunities removed daily from their reach when the state blocks the driving force of their entrepreneurial creativity, they will in large numbers join in the social clamor for reform, the dismantling of the state, and the advancement toward a future which remains mostly unknown to us but is bound to raise human civilization to heights we cannot imagine today.
- c) Political Revolution: And finally, the political revolution which becomes secondary to both the scientific and social revolutions. Because it is true that we must support the least interventionist alternatives, and even be fellow travelers with the efforts of classical liberals trying to limit the state democratically. However, the anarchocapitalist does not stop at that; he knows, and must also do, much more. He knows that the ultimate goal is the total dismantling of the state, and this fires his entire imagination and fuels all of his political action on a daily basis. Small advances in the right direction are certainly welcome, but we must never slip into a pragmatism that forsakes the final goal of putting an end to the state. And for purposes of teaching and influencing

the general public, we must always pursue this objective in a systematic, and transparent manner (Huerta de Soto 1997).

For instance, the anarchocapitalist political agenda will include ever reducing the size and power of states. Through regional and local decentralization in all areas, libertarian nationalism, the reintroduction of city-states, and secession (Huerta de Soto 1994 and 2002), the aim will be to block the dictatorship of the majority over the minority and to permit people to increasingly “vote with their feet” rather than with ballots. In short, the goal is for people to be able to collaborate with each other on a worldwide scale and across borders, to achieve all their ends without regard to states. And we can imagine a spontaneous order composed of an ever-increasing network of companies, private clubs, Internet networks, religious organizations, and functional overlapping private jurisdictions and complex networks, etc. (Frey 2001).

Of Course, that this is not the place to elaborate the specifics of the transition agenda to dismantle and liquidate step by step in a peaceful and orderly way all the elements of current states. Of course that sudden vacuums in the fields of public services and regulations should be avoided, and that an evolutionary and piecemeal transition toward full liberty is most preferable. But sudden, unexpected and more revolutionary changes forward should not be discarded either. Should that be the case we must remember that political revolutions do not need and should not be bloody. bloody revolutions are avoided when they result from the necessary process of personal education and development, as well as from popular demand and the widespread desire to stop the deception, lies, and coercion that prevent people from fulfilling their aims. For example, the fall of the Berlin Wall and the so called Velvet Revolution, which brought an end to communism in Eastern Europe, were both basically bloodless. Along the path to this important final result, we must use all of the peaceful and legal means that the current political systems permits. And we must never forget the prescriptions of our Spanish scholastics of the Golden Age regarding the strict conditions an act of violence must satisfy to be “just”: first, all possible peaceful means and procedures must first have been exhausted; second, the act must be

defensive, only a response to concrete acts of violence, and never aggressive; third, the means used must be proportional; fourth, every attempt must be made to avoid any innocent victims; fifth, there must be a reasonable chance of success (if not, it would be unjustifiable suicide). These are wise principles of course, to which I would add that participation and financing must be entirely private and voluntary, and that although in very extreme cases is conceivable to die for an ideal, it is never acceptable to kill for it. Any act of violence which could go against any of these principles is not only totally unjust but also becomes the worst enemy of our goal of liberty as anarchocapitalists, remembering also that Father Juan de Mariana's 1599 whole theory of tyrannicide is also very relevant here (Mariana 1599). And finally, and as Rothbard indicated, it is not advisable to violate current state laws (which are basically administrative commands), because in the vast majority of cases, the personal costs outweigh the benefits.

Spain, the land of the individualist Don Quijote, has a long-established anarchist tradition. Of course that we must never forget the great crimes committed by Spanish anarchists, although they were less serious than those of Spanish communists and socialists; nor we must forget the inner contradictions in their thinking, but it is true that, especially during the Spanish Civil War, anarchism was an experiment which enjoyed the greatest popular support, although it was condemned to fail. Just as with the old liberal revolution, today anarchists have before them their second great opportunity, which lies in overcoming their fateful errors, which consists of the utopian quality of any anarchism which rejects private property, and accepting the market order as the only, definitive path toward abolishing the state. If the Spanish anarchists of the twenty-first century can internalize these teachings from theory and history, Spain will very likely surprise the world again (this time for good, and on a large scale) by leading the theoretical and practical vanguard of the new anarchocapitalist revolution.

Anyhow, an exciting future is opening up, in which we will continually discover new roads that will lead us, keeping always our fundamental principles, toward the anarchocapitalist ideal. Though this future may seem distant today, at any moment we may witness giant steps forward which will surprise even the most optimistic.

Who was able to predict five years in advance that in 1989 the Berlin Wall would collapse, and with it communism itself in Eastern Europe? History has entered into an accelerated process of change, and although it will never come to a halt, it will begin an entirely new chapter when humanity, for the first time in modern history, manages to rid itself of the state once and for all and reduce it to nothing more than a dark and tragic historical relic.

Thank you very much.