



Episode 725: A Spontaneous Order: The Capitalist Case for a Stateless Society

Guest: Chase Rachels

WOODS: You've got a pretty good book here, I think. It's compact, it packs a punch, it covers a wide array of topics, and it's done the way I like books to be done, in that there's no fluff. You seem to have exactly the same philosophy of books that I have. No fluff, no filler. It's just every page is packed with information and arguments that you can use. That's what I like. That's what I like. I've read so many celebrity-style books, where it's all fluff and speeches, and I learn two things, and one of them was I can't believe I wasted my time reading this book. So I'm glad about yours.

So you start off with a background in the ideas, the fundamentals, so we're talking about property and contract and a lot of the ideas that are familiar to libertarians, and then you go on to apply them in various cases. In particular it looks to me like you've focused in particular on the toughest cases. So of course law and order and defense, but also lesser tough cases, like education, health care, transportation. Not whether the market can provide shoes; that we get. But these tough cases are what you're focusing on, and I think to very good effect.

So first of all I'm going to ask you a little bit of an off-the-wall question about your own background. How is it that you came to these quite unconventional, but to my mind fairly persuasive, ideas? What was the path, let's say, that you followed to get here?

RACHELS: Sure, well, I think like many others I discovered Ron Paul in 2008, and he had a great influence on turning me from a standard Republican to a big L libertarian, if you will. He convinced me of noninterventionist ideas, which are great, and of the free market, how it could be applied universally. And from there my military experience as an intelligence analyst in the Air Force allowed me unique insight into what was going on in the world abroad and our involvement in it, which, unlike many people, turned me off to the idea of government, interventionism, and the military industrial complex. So from there I just did a lot of reading, read some Napolitano, read a lot more Ron Paul, the Constitution, and eventually I looked into Austrian economics. And after I did that, shortly after I delved into voluntarism and anarchocapitalism.

WOODS: All right, so it's the old Ron Paul explanation then, okay.

RACHELS: Yes.

WOODS: All right, good, good, good. Well, that's interesting to know as well. All right, I have to of course — when you've got a book that covers so many things, I have to be discriminating for the sake of time, but yet I want to give people kind of a bird's eye overview of the book, so I don't want to skip the foundational material entirely. So let's say you're doing a debate, and they give you a three-minute opening statement, and you've got to lay out what you consider to be the fundamentals, the basics, the basics of libertarianism from which the positions that you talk about in this book naturally follow. How would you do that?

RACHELS: Well, it would actually be pretty simple. At least for our brand of libertarianism, it all goes back to private property, whether it's in your own physical body or external goods acquired through homesteading or voluntary exchange. So all rights, at least according to libertarians such as ourselves, are really just property rights. There's no rights which exist independent from those. So from private property rights you can deduce the nonaggression principle, which states that any uninvited initiation of physical interference with the persons or property of others or threats thereof is always unjustified and criminal. And from there you just extrapolate out. You just apply these fundamental principles of private property and nonaggression to every complex social issue. It's like the formula, if you will, and everything else is just the variables that you're inputting. So I mean, I don't even need three minutes. That's as simple as it gets at its most fundamental core.

WOODS: All right, so that — but now what you just said, I want people to understand that you elaborate on that in great detail in this book. There's nothing glib about this book at all. All right, so let's go on ahead. I'm debating in my mind whether we're going to go to the, let's say, really hard cases, simply because they almost always require an episode-length discussion. So let's go to the, say, medium-level difficulty sorts of topics —

RACHELS: Sure.

WOODS: — and let's pick one almost at random that I'm sure no libertarian has ever had to deal with. Which one do you think I'm going to — take a guess.

RACHELS: (laughing) Uh, the roads?

WOODS: The roads! What else could it be? All right, so let's talk about first of all why it matters. Of course once you've accepted the principles that you've just laid down, of course it matters that everything be provided in accordance with that approach. But what would you say to somebody who says, look, I'm perfectly happy with the way the roads are run now. Why would I want to throw that into turmoil? The roads are fine. They get me to where I need to go. What's your problem?

RACHELS: Right, well, before I answer that let me also add to the previous question that I don't start off just assuming the private property ethic or NAP are valid. I also go

into proving through rational proof as to why they're valid. I don't just beg the question. So I just wanted to put that out there first.

Now as far as the roads question is concerned, just like any product or service that most small government-types recognize, the free market does this far more efficiently and ethically than government does. And in the book I discuss from two points. I discuss the economic case for having the free market take care of roads, as well as the ethical case. The ethical case, in my personal opinion, takes precedence, but the economic case is also worth mentioning, since many people have practical concerns about these applications.

So just like anything else, I mean, businesses, homes, whatever it is, whatever institution it is, they all have a vested interest in enabling people to arrive at their locations. There's this idea that roads between different institutions and communities and commercial areas just wouldn't exist without the government is, I think, completely asinine, because they couldn't function without people's ability to actually get there.

So once you have that taken into account — and then the unique benefit of the free market is that you have economic calculation, and that's what enables the road producers to understand how many roads to produce, what types of roads to produce, where to produce them, and this is something the government doesn't have access to, because all their funds are generated through taxes, through coercion. They're not generated through voluntary contributions, which would otherwise give them good insight as to what's the most economic and efficient way to allocate these resources, to produce these roads. And I think that's probably the biggest advantage a free market has over the state.

WOODS: All right, now let me raise some of the usual objections here, although let me just add one thing that amplifies what you're saying.

RACHELS: Sure.

WOODS: It seems to me like every time I turn around, they're working on a road somewhere along where I normally drive. They're constantly working on these things, whereas they're not constantly working on my roof. My car is not constantly being worked on. Nothing else I know in the world is being worked on as consistently as these darn roads. Now, maybe it could be a function of my own ignorance. I don't know anything about roads, and maybe that's just the nature of roads, that all roads will be worked on constantly. But I'm not sure I buy that. I feel like there's something screwy about these government roads or about the decisions as to when to work on them that have more to do with spreading around the graft than they do with providing quality roads. Am I too cynical about that, you think?

RACHELS: No, and I think even the use of the term "worked on" is also pretty loose, because you usually see one guy working and seven guys sitting around watching him.

WOODS: (laughing) Right, right, exactly. All right, the trouble with what you're saying is I can see how the market can provide me with everything from bottled water to stationery to dress shoes, all those things. But it's hard — and I can see that, because I can see how competing firms could set up companies, and then they compete with each other, and that keeps the prices down.

RACHELS: Right.

WOODS: But I don't really get how road companies could compete with each other. As the ordinary observer of this, I don't see how that works. So it seems like what I'd really get is a monopoly providing a road, and then I'd be stuck. I'd have to pay whatever exorbitant toll it wants.

RACHELS: Right, well, that's an interesting question you bring up, and I think it presumes a couple things. I think the first thing is when people think of the roads, they think that one company has to own, like, the entire length of the Interstate. Well, that's not necessarily true. You can have different companies owning different sections of a conjoined road. So you can get that out of your mind from the get-go.

And the second thing is in a truly free market that we promote, there's no such thing as a true monopoly, a monopoly in the sense that they have the exclusive legal privilege to provide the service. Even if they're a single service provider in a given area, they still have to contend with passive competition. So let's say that a given section of road is the only one into town for whatever reason, which is unlikely on its face anyways. But let's just say that's the case. Well, if this guy starts charging exorbitant prices, then that's going to attract other people, other entrepreneurs to come in and build an alternate road, because it gets to the point to where it's profitable to create a second or a third road heading to the same destination from the same areas. So that's kind of how, not just the act of competition with already existing competitors, but also passive competition of potential competitors kind of serve to deter these sort of exorbitant, out of line with consumer demand prices that you're referring to.

WOODS: All right, well, suppose we have a case then of a road where it's being poorly managed — although that wouldn't be that different from the government roads. Let's say it's something more obvious. Let's say that it's putting tolls everywhere or it's becoming oppressive in the rates that it's charging. And let's say there are other road companies that have a more sophisticated model. Let's say they have lower prices, and you don't even have to stop at tolls. They can just, you know, ding your license plate and send you a bill like you even see in some government jurisdictions these days. How do we, the customers of road company A, how do we expel road company A and bring in road company B?

RACHELS: Yeah, well, that's just the thing. Let's say that road company A is managing it very poorly. They have horrible maintenance; it's not just costing the consumers the price of admission but also the damage it's doing to their cars that they're driving on it. Well again, kind of like the other scenario you provided to me, that's going to make

it very attractive for another entrepreneur to come in and provide an additional road or to buy their company out, because they're going to see, as soon as I put this additional road up, then virtually all the customers currently on this first one, who are almost all dissatisfied, are going to switch over to my road. And perhaps company A recognizes this and would rather sell, as opposed to having the other company build another road entirely.

So I mean, these are the kind of organic mechanisms that sort of operate in a free market, which tend to handle these issues very fluidly and efficiently, especially when compared to government solutions, which require very onerous, bureaucratic processes and approvals from Congress and appropriations. I mean, if you just get rid of all the red tape and it's all about the economics, and when you're just dealing with economics it's a much more efficient, and I believe just process.

WOODS: All right, let's turn to another issue that's at about the same level of difficulty, and that would be education, because I had somebody on the show — it was Robert Zubrin — who was, we were talking about his idea that we should colonize Mars, that we ought to settle Mars. And I was arguing that if he wanted to do that and could raise the private funds that'd be fine, but otherwise it seemed kind of arbitrary to say, well, the Left has the things they want to do with your money, but I have my own things that I want to do with your money. It seems kind of arbitrary to take people's money and put it towards something they don't favor. And he was trying to say, but this one really is good. And I understand that, and I'm not even trying to ridicule him. This one really will yield us a lot of good results.

I raise this, because as we were talking he was giving me examples of things that, frankly, you do need the government for, and yeah, you do need to take people's money. And he said, the fact is, for whatever problems it has, the public school system has been a tremendous success. There's no getting around that. We have all these people, and they learn a whole lot in these schools, and that is a tremendous success. And look, our economy's great and all that, and that's got to at least have something to do with the public education system. So you're not just going up against people on the Left; you're going up against almost everybody when you say education needs to be completely privatized. So you're going to have to break down an awful lot of resistance. Where do you start?

RACHELS: Oh yes. I think the easiest place to start for most people is the ethical question, is do parents have the right to choose the type of curriculum their kids are choosing to study. So you want to maximize the number of choices out there that these kids can take advantage of. Do they want — as far as the practical answer is, just like everywhere else, whether it's developing computers or electronics or TVs, competition is kind of like experimentation; it's encouraging experimentation. People are always searching for the way to get the edge in the market.

And that's going to be a much more, I believe, a much stronger incentive for these education providers to find newer, better, more innovative ways to teach children ideas in a more efficient capacity — not just the same ideas that we have in our

current curriculum, but also to discover curriculum that is more appropriate to preparing them for the real world. So to me it's always the same. No matter what the service is, it's always the same argument. And I think, ironically, the hang-up for most people is they see that the more necessary something is, the more they want the government to get involved. And ironically, that's the last thing you want of services necessary. Imagine what it would be like if government took over food production. Yes, it's good; we need food to survive to do anything, but why is that an argument for government?

And in my book I really elaborate on the different incentives, how even for the poor, how they can find ways to get access to very quality education. Let's say that they do really well in school, and other companies want to bring them to their school on a scholarship, because that's a selling point to other prospective parents, that they have lots of students who test well, etc. So I mean, there's just so many different avenues to go with this, and in the book I really tried to explore, not just the ethical, but also the practical advantages that a totally free market, decentralized way of schooling can offer.

WOODS: Well, speaking of practical, let's deal with one of the most common practical objections. Even if people will concede the theoretical superiority of private education, they'll say in practice it will leave the poor behind, because how can they afford a private school's tuition.

RACHELS: Right, yeah, that's the thing. So think of it today. Would there be disparities in education levels? Perhaps, but I mean, there's disparities everywhere in our market today. You have disparities in qualities of cars, disparities in qualities of clothes. But the one commonality that you'll see in a marketplace is that those things that only the rich can afford the poor will be able to afford tomorrow, because the poor is always wanting to increase their standard of living, just like the rich do. And so even though Wal-Mart might be the bottom of the rung for your clothes shopping, the clothes and materials it provides today are far superior as far as the price you're paying for them than they were 30 or 40 years ago. So everyone is having their services increased, even if there is a disparity.

And for those people who are not very financially wealthy, their children and what not, if they are very gifted intellectually, again, like I said earlier, it's going to be in these other companies' best interest to have higher level education that they're promoting to recruit these children so as to make their schools stand out more. The brighter their children and their students, the more attractive that is to other parents. I mean, there's a million ways that you can help out the poor. There's also scholarships and private charities. You can go on and on. You do not need to use coercion and taxes and what I think is theft in order to dissolve these issues, and in fact, I think it just makes these issues worse.

WOODS: I've done a couple of episodes with people at the E.G. West Centre in England, and one of them is James Tooley, who's done work on inexpensive private schools for the poor in developing countries around the world, which you never hear

of. And their tuition is about one-third of what the public school is. A huge number of kids from these extremely poor countries are going there and actually being better educated than they are in the government system, even in poor countries. So if these poor countries can manage it, have better educational outcomes, and have it affordable, then presumably the US can as well.

Secondly, your scholarship point is a good one, and I think it would also mean that we would shift our attention away from college scholarships – that's where all our attention is – and the scholarships would move I think toward the lower grades to help people who are poorer. I think you would also get a lot of pro bono services. I mean, there's all kinds – my kids used to go to a school years ago where basically nobody was ever – it was a private school, but nobody was ever turned away, pretty much ever. And we all just picked up the slack for people – we knew who genuinely couldn't manage it, and we all picked up the slack, and it was fine.

Let me add one thing that I realized only very recently, where there's a big difference between a public and a private school – and of course, you're saying there would be many options other than just public and private school. There would be more than just those two ways of thinking. But even just there, at a private school there's very much the sense that you are a customer, and if you have an issue, then everybody will sit down with you; they'll try to work it out. But at a public school, you feel like, well, I'm getting this so-called for free, so they don't really have to do anything. The teachers could yell and scream and be jerks and obnoxious, and my kid could be doing third grade math in sixth grade. I have no recourse, really. I'm not a customer; I'm a peon. I'm a cog in the machine.

RACHELS: That's right, yeah. Their revenue is guaranteed through taxes, so they don't have nearly the incentive to satisfy their so-called consumers (laughing) – or the students; they're not even consumers – because they're getting paid no matter what. They get the tax money no matter how well or how poorly your children do. So you're absolutely right. And to add on to that, with the advent of the Internet, I mean, the cost of education has just dropped so dramatically. There's no reason that anyone from any financial background can't get access to the best educational materials out there.

WOODS: All right, I've chosen two topics so far. I'm going to turn it over to you. Now you pick one. You pick something that you covered in this book that you're particularly fond of discussing, and let's dive into that.

RACHELS: Sure. I think a really interesting topic, at least personally to me, was the law and order chapter. To me that was the one thing holding me back from going into the full-fledged anarchocapitalist camp, voluntarist camp. I was like, I can see everything else; I want to believe in it, but I just can't do it, because I feel like there's still a need for police, courts, and military. I just can't imagine how it's going to happen. So that topic to me really sticks out as probably one of the most interesting in the book.

WOODS: All right, so let's — now, I'm going to point out — I'm going to link in the show notes page — today's show notes page will be TomWoods.com/725. That's where you'll find a link to the book that we're talking about, and I'll also have links to episodes where we've talked about some of these topics at greater lengths, like police, military, etc. But all right, so suppose you're dealing with a skeptic — and that's 99.999% of the population. How do you get them even thinking the right way? You can't immediately jump in with, well, we can have competition with — how do you break down some of the resistance that you're going to meet?

RACHELS: Yeah. Well, I think the very first thing to do, and I think this applies to anything, is you have to get them into the mindset of you're not comparing this free market solution to perfection, which for whatever reason people have a tendency to do.

WOODS: Yeah.

RACHELS: Every system has its issues and its drawbacks and disadvantages. You're going to be comparing this free market system to a state-run one, so keep that in mind and think about all the issues and injustices that are perpetrated by the current environment. So start from there. Then once you have that settled, then it can go on to what are the major differences. Well, again, you have the economic calculation issue with state-provided services. There is this moral hazard, because the state agents, they're not actually required to protect you; they're just there to enforce their law. They get their revenue guaranteed through taxes. They're not held to the same level of legal scrutiny as you or I will be. Whereas a private company will be held liable for whatever collateral damage it may cause in the pursuit of whatever aggressor is out there, the police do not. In fact, the state has a natural incentive to actually allow crime and antisocial behavior to fester so as to justify expanding its own jurisdiction and its powers.

I mean, everything in the state is complete upside down, and I think this is pretty clear in our current country today. You see police abuse skyrocketing — brutality. I think we had — what was it? — like 1,100 kills by the police of private citizens last year alone. We have gun restrictions, other restrictions, which steal from people the ability to defend themselves. I mean, there are so many ways in which your ability to defend yourself and to be safe is hampered by state regulations under the guise of protecting you that just would not exist in the free market. The free market is only concerned with what's most effective, how am I going to prevent violent altercations because that's how I make the most money, and even if they do occur I need to make sure I apprehend this guy so I can get restitution to my client.

And I talk about how insurance would probably play a huge role in security in this sort of environment, how things like weapon ownership is going to be encouraged most likely, and I even talk about the unique process of how law is formulated and enforced and interpreted in such a society. It's very different from what we're used to today with this top-down approach, but when you think of it this way, that different countries with respect to each other, they're in a sort of anarchic position because

there's not a one-world government — at least not yet (laughing). So you have to understand, different legal systems can coexist; it's just a matter of do we want to involve aggression into the mix. Do we want to give one institution the exclusive privilege to create, interpret, and enforce law, or do we want to allow this to be a function of the competitive market? And in my book, I talk about why the latter is the obvious choice.

WOODS: Why shouldn't I expect there to be police companies that are going to war with each other?

RACHELS: War is very expensive. Violence is very expensive. And for that very reason — and these guys don't have guaranteed revenue like the state — they can't just rely on taxpayer money to bail them out whenever they engage in these very expensive altercations. They're going to try to avoid any sort of violent interaction as best they can. Violence is a last resort, and because of that you're going to see a lot more incentive for negotiation; cooperation; making deals in advance, to deal through third party arbitration agencies perhaps, whenever there's intercompany disputes, security agency disputes. I mean, these are the sort of mechanisms that develop when everyone is completely liable for their own actions, when they are dependent upon consumer voluntary contributions for their own survival.

WOODS: All right, I've got to ask you another standard question here. Let's suppose I break into your house, and I steal something, and you and I just have different security agencies, and yours is telling me to come to court, and mine's telling me don't, so I don't. And so that's it. So the only way to get your TV back then would be to bash my house in and come get it, and then my security company will come after you, and before you know it it's war.

RACHELS: (laughing)

WOODS: So how do we deal with the fact that I might have a different company from you? What possible reason would these companies want to cooperate? One of them's representing me; one of them's representing you.

RACHELS: Right, well, I think I kind of covered this in the last question, but I'll kind of highlight some of the points again —

WOODS: But that's the specific thing, because my first question was kind of more like why wouldn't the different police departments, given that they do have all this ability to use force, why wouldn't they try to carve out additional turf through the use of force?

RACHELS: Right.

WOODS: Here it's more of a question of, in the adjudication of an ordinary dispute, why would the two parties ever want to cooperate with each other?

RACHELS: Right.

WOODS: I'm accused of stealing a TV. Why would I ever, ever want to appear in court?

RACHELS: Right, again, a violent conflict is expensive for both parties involved, and what these companies want to assure their clients when they contract with them is that their coverage is going to provide them a much more safe and stable environment, and they also want to have very low premiums. And the more you're willing to engage in these sort of violent conflicts, the more expensive it gets, the higher you're going to have to charge for premiums; otherwise you're going to go out of business.

So what's most likely to happen — and again, this is to a degree speculative, but you could see this going about — is most of these defense agencies which exist are likely going to go in advance with each other and agree on various sets of arbitration agencies they'll use in the case of very predictable disputes. It's very predictable that two or more agencies could have such a dispute. And because of that they're going to want to settle that in advance. They might charge arbitration agency X if one company believes their client to be innocent, the other guilty, and so whenever such a dispute arises, even if they don't want their client to go to court, he could either be tried in absentia without actually being present, if he just refuses to show up, because again, those contractual mechanisms will be in place in advance.

So if, let's say, the security agency company B refuses to go despite their contractual obligations that they set beforehand, well, again, that's going to be publicized. And once you publicize the welshing nature of a security agency, it immediately loses clout and power and credibility, which is going to significantly hamper its ability to attract customers in the first place, and therefore its power. And again, these are the kind of nonviolent, organic mechanisms the market can use in order to disempower and deter this sort of antisocial, violently contentious behavior, and to promote negotiation, mediation, and arbitration.

WOODS: All right, let me try one more. Let's imagine — because it sounds like if you remove the state from the picture, by default society becomes anarchocapitalist. But it seems like it could become — at least there are people who could believe in some kind of anarchosocialism where they don't respect private property, they don't respect large accumulations of wealth, and their view could be that a lot of property that's owned and, let's say, is lying idle, that's owned by rich people, is not legitimately owned, and they can go squat on it and occupy it. Seems like that's difficult when you have completely, radically opposed first principles, and each party has a security company behind it. Why does anarchocapitalism necessarily win out? Why wouldn't the anarchosocialists win in this case? And then at that point, isn't anarchism just kind of a crapshoot to see which party is strong enough to win?

RACHELS: That's a great question, Tom. It must be reiterated that anarchism isn't the lack of any governing forces per se; it's the lack of the state specifically. And what I mean by that is just because there's not a state doesn't mean that the society is absent

law, it's absent these guiding legal principles. And the reason why these private property legal principles would probably be pursued is because they're ones which, if followed, mitigate the most violent interpersonal conflict there is. There's always going to be mutually exclusive desires for how to employ scarce resources. Because of that, we need private property norms to let us know who owns what, and because private property says the first user or the person to receive it through voluntary trade owns it, those acquisition methods themselves are conflict-free, so we would tend towards those.

Furthermore, we can tolerate a little socialist commune to exist within an under- and overarching anarchocapitalist legal system. If people want to pool their property together voluntarily and live in such a commune, such is their right. That's private property rights; they can do so. However, the reverse is not true. There cannot be private ownership of the means of production under an overarching socialist society. So again, if the goal is to increase the opportunity for as many different types of lifestyles and societies as possible, to have this sort of pluralistic effect, to let people have the maximum range of choices for how they live their own lives, then it all goes back to the private property ethic.

Now, what was the other part of the question you asked? Why would they not go to war with each other? Is that correct?

WOODS: Well, it just seems like, given that there are people who have different philosophical backgrounds, different first principles, it seems awfully convenient to imagine a society in which the rules are wind up being anarchocapitalist.

RACHELS: (laughing) Yeah.

WOODS: They all wind up being in favor of property rights as we understand them, but what happens to all those people who think of private property rights in a different way? They just lose all the cases?

RACHELS: Yeah, that's a good question. And this goes back to probably the first chapters of my book — and I don't want to give it all away here, but I explain exactly why the private property norms mitigate — they serve the function of the norm to mitigate interpersonal violent conflict. And I believe that you're going to have a much greater chance for peaceful coexistence when you have a system such as anarchocapitalism, which allots for any behaviors so long as you're not initiating force against persons or property of others, than if you have a socialist one, which is far more restrictive.

And let's say that they do have disputes. That's fine, but agencies that rule counter to private property, don't recognize property are operating on the basis of very fuzzy and ambiguous and vague principles, which socialists and leftists inevitably do, are not going to have much credibility. The purpose and effectiveness of law is largely determined by how predictable it can make its outcomes, how predictably it can assure you that, yes, this is yours; this will not be taken from you. Yes, this contract

will be carried out. Once you replace these very predictable and clear and explicit principles with very vague notions of whether it's social justice or communal justice or whatever it is, then that's going to be a total perversion of law. It's going to be counter to the very purpose of law, which is to encourage peaceful cooperation.

And that type of system is just not functional and would never garner the amount of power and following, in my opinion, that would allow it to even be a very threatening force under a society without a state. So even if they wanted to be violent and try to overthrow the private owners of the means of production, I think it would be a very impotent rebellion.

WOODS: All right, I want to urge people to check out your book, because I think they're going to get a lot of helpful arguments in it. It's linked at TomWoods.com/725. It's *A Spontaneous Order: The Capitalist Case for a Stateless Society*. And I guess it came out last year, and you wrote to me about it, and I was so lazy about getting to it that it's finally only now that I did. But I'm sorry it took me so long, because it really is a worthy book, and I'm glad to have a chance to talk to you about it. Thanks again.

RACHELS: Yes, thank you, Tom, for having me on. It was a great pleasure.