
DEMOCRACY'S STATE

In Defense of the State (I)

PHILIP GREEN

The images that free-market ideology evokes—at least as guiding generalities—have sunk deeply into the common consciousness of many in capitalist societies. In that sense, antistate ideology or just simple cynicism about the state has come willy-nilly to take on a partially democratic character, not just in the United States but even in some of the more (overtly) statist European societies as well. “Populist antistatism” focuses our attention not on the popular role of government agencies in “interfering” with the free market, but on their unpopular, bureaucratic role in preventing the free expression—not to mention the realization—of communal and group interests. Thus free-market ideology has a significance that extends far beyond the influence of its most visible adherents because it helps to set the tone for and to define the boundaries of the popular discussion of public policy. Political leaders and political journalists who would not dream, for instance, of restricting public policy to the steady-state maintenance of a national currency implicitly accept the notion that “government” is primarily a burden, and that “government action” usually constitutes an invasion of “rights.” Thus professional economists are freed to discuss the “costs” of the public regulation of economic enterprise without ever mentioning, let alone attempting to quantify, its benefits.¹ Proposals to redistribute power over immense agglomerations of capital, to redistribute unearned wealth, or to bring industrial workplaces, monopolized mass media, or professions that provide essential public services under democratic public control, are assaulted with the kind of “libertarian” passion one would expect to see directed against a proposal to abolish habeas corpus or freedom of speech.

There were undoubtedly many reasons—most of them having to do with the failure of previous administrations to get an intolerable economic situation under control—for the election of Ronald Reagan, and for the earlier election of

¹ On that point see Mark Green and Norman Waitzman, “Cost, Benefit, and Class,” *Working Papers*, May/June 1980, pp. 39–51.

Copyright © 1981 by Philip Green

*From the forthcoming book The Pursuit of Inequality by Philip Green.
To be published by Pantheon Books, A Division of Random House, Inc.*

Margaret Thatcher in Great Britain. Still, those events demonstrate the extent to which the language of laissez-faire even today has the power to stir the emotions of people from all social strata. We must, therefore, confront the argument of these new individualists in order to distinguish between that part of it that simply serves as a mask for privilege, and that part of it that truly does locate obstacles that the pseudodemocratic, uncontrolled state apparatus has placed in the way of genuinely democratic self-government.

The following analysis of the free-market argument takes off largely from the writings of Milton Friedman and Robert Nozick.² Friedman is the most public-policy oriented of all the free-market theorists, and his approach to the discussion of public policy very clearly shows a tendency to become instantly ideological, and thus alternatively either vacuous or self-serving. For example, in what is intended to be a definitive statement, he writes that the major functions of government

... must be to protect our freedom both from the enemies outside our gates and from our fellow-citizens; to preserve law and order, to enforce private contracts, to foster competitive markets. Beyond this major function, government may enable us at times to accomplish jointly what we would find it more difficult or expensive to accomplish severally. However, any such use of government is fraught with danger.³

What is perhaps most instructive about this formulation is the way it typifies the kind of equivocating language in which a casually proffered exception ("may enable us at times") can eat up the alleged rule, thus leaving us with an accurate feeling for the author's class interests and attitudes but none the wiser about any operational principle he might be pursuing. Yet when we turn to the work of the professional philosopher Nozick, who more than anyone else (more even than Friedrich Hayek or Murray Rothbard) has developed a consistent philosophical justification of free-market theory, we quickly encounter the same kind of descent from philosophy to ideology.

Thus, early on in Nozick's *Anarchy, State, and Utopia*, we find the formulation that the "night-watchman state of classical liberal theory [is] limited to the functions of protecting all its citizens against violence, theft, and fraud, and to the enforcement of contracts, and so on. . . ." On page 272, having by then made the minimal state his own, Nozick repeats the formulation in similar terms, ending again with the phrase "and so on." Nowhere in between (or thereafter) do we encounter the slightest clue as to just what actions "and so on" might

² Robert Nozick, *Anarchy, State, and Utopia* (New York: Basic Books, 1974), and Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962).

³ Friedman, *Capitalism*, p. 2.

⁴ Nozick, *Anarchy*, p. 26.

include. When Nozick, Friedman, and company do attempt to explain their "principle," we are given no clue as to the limits, if any, of "legitimate" state action.

Why should this be so? What is the real content of the ideology of "limited" government (but not anarchism) that has to be hidden by equivocation? We can discover the answer to that question if we look, for example, at the alleged distinction between national or internal security and other modes of public collective activity—a distinction that Friedman (and Nozick, too, in a different fashion) treats as fundamental.

This distinction makes sense only on the assumption that "the state" manifests two distinct types of public policy with respect to those two realms of action. Superficially, at least, that is a false assumption. As E. H. Carr long ago pointed out, there is no policy describable under the heading of "welfare state" or "planned economy" or "public control" that cannot be or has not been undertaken precisely in the name of national defense.⁵ Not only that, but in fact the "national defense" sector of any social order is now and probably always has been perceived of as a welfare state by its clientele. Thus when Friedman asserts, in *Capitalism and Freedom*, that the military should be a public charge, but long-distance highways should be "privately" owned and operated, we must charitably assume his ignorance of the fact that the bulk of the interstate highway network in the United States has been constructed by the authority of national defense legislation. Indeed, we must wonder whether he fails to realize that if the nation had only a national-defense sector and no other institutions of planning or welfare at all, we would find our politics taken up entirely (instead of only partially, as is now the case) with squabbles and even serious clashes over the disposition of "defense contracts" (a term that would then be used to cover just about everything but the manufacture of pipe cleaners). The location and closure of "defense" plants, the development and distribution of natural resources, the desire to import versus the drive to self-sufficiency (at present in the United States tariffs on wristwatches, Swiss cheese, and peanuts are justified in the name of "national defense"), the distribution of income between "defense" and "nondefense" workers, the question of special preferences and rewards for veterans of both military fronts and the industrial "home front" and their dependents (a conjunction the French have actually made), the amount of money to be spent (and the ways in which it should be spent) on "vital" services like education and transportation (like the National Defense Highway Act, the National Defense Education Act pays for a much greater proportion of the sector to which it relates than could possibly be explained by any logistics planner)—all would naturally fall under the consideration of "national defense."

⁵ Edward Hallett Carr, *The New Society* (Boston: Beacon Press, 1951).

In wartime, or cold-war time, even redistributive and antibusiness regulatory policies would be justified, as they often have been in the past, on the grounds that the lower social classes will be more vigorously loyal to the *patria* if they get a "fairer share" of the national product and are given reason to believe that everyone is being asked to "make sacrifices." The national-defense state would easily be just as bloated as most present states, though it would probably be a good deal less democratic: that is, it would be much less subject to those institutions of public control that, although only partially effective, nonetheless tend to disappear whenever the magical phrase "national security" is invoked.

All of this is perfectly obvious; it is hard to believe that even professional economists and philosophers who know virtually nothing of political life could be unaware of it. On reflection, it is clear that what Friedman has in mind by making this vague distinction—and Nozick's more elaborate justification of the limited state finally makes this clear—is that it is only policies that redistribute or regulate in the name of a superior goal of social justice that are to be condemned; conversely, to do in the name of social unity what would otherwise seem to constitute taking sides in a class conflict is permissible. Behind these elaborate formulations about what government can and cannot do stands the simple principle of Leviathan.

One expects the well-off and their representatives to oppose efforts at redistribution of any kind; why should people subvert their own interests? In theory, though, intellectuals are supposed to take a detached view of such matters—but how can any intellectual or academic hope to justify such a transparent rationale for self-interest as Friedman's? As a positive economist, Friedman himself is not capable of the kind of abstract theorizing such a justification would require; and that task has been performed instead by the philosopher Nozick. However, on closer inspection, even Nozick's sophisticated argument fails to advance a single step beyond Friedman's cruder defense of privilege—perhaps because there is nothing at all where the next step should be.

Nozick's approach is to postulate (as against traditional, "left" communitarian anarchists and "pure" libertarians of the right) that the minimal, law-and-order state *is* legitimate, but that any more activist a state must be illegitimate. How do we manage to come to a conclusion so helpful to the possessors of large amounts of property? The answer, according to Nozick, is that just such an entity as the minimal state (his term for it) would be formed by the purely voluntary activities of freely contracting, stateless property holders—if such people existed in a "state of nature."

If such people attempted to form a society, Nozick continues, their first order of business would be unanimously (since they would all have *something* to protect, or the hope of getting something if they didn't yet have it) to come together to hire a private protection agency, a sort of giant-sized Pinkerton's or

Securitor, to defend them against all foreign or domestic incursions. And since this minimal state *would* be created voluntarily and unanimously by hypothetical rational actors in a hypothetical Nozick world, its minimal activities can be treated *as though* they were voluntarily supported. As conservatives have always known, it's perfectly "legitimate" for a nation to maintain a repressive secret police and an immense and destructive armed force to "protect property," but it's not legitimate for it to maintain a handful of factory-safety inspectors: *that* use of government is by contrast "fraught with danger," and no one ever "agreed" to it.

But why, we reasonably want to know? Why is it that hypothetical rational actors can be imagined as voluntarily creating a monstrous version of Pinkerton's, but not, say, a Child Welfare Agency, a Safety Inspectorate, an Environmental Protection Agency? In attempting to answer that question, we discover that Nozick's is a problem of the moral imagination. If we do not accept his morality, then his state-of-nature theory is pointless: and it is a peculiar, class-bound morality he asks us to accept. Like all previous attempts to rationalize class privilege, it revolves around a very special and tendentious definition of the nature and role of property.

Property, in this tradition, has a moral virtue. It is what is made by *myself* (or earned from the sale of what I have made by myself), out of materials and with tools that I have either provided for myself or recovered from previously undeveloped land; and therefore it is rightfully *mine*. Only I (as Aristotle asserted) can be expected to take proper care of what is mine, and only I therefore can have the legitimate expectation of being encouraged and allowed to take care of it. In the modern world, where land has long since ceased to be freely available, that would seem to be a "philosophy" only for factory owners and great landholders, but no problem. We need only invent the concept of my property in my own body and its power to universalize the notion of property through personal labor. Perhaps neither the materials nor tools I use were made by me, but it can be said (very loosely) that I rent them from their owner in return for renting to him my labor power. Each earns something in the exchange—the exchange value we call money—and each rightfully possesses what is earned, since in each case it is at least a derivative of the supposedly pure "self." Each of us is, as Nozick would say, an individual with rights of possession, most especially the right not to be interfered with by a more-than-minimal state.

This bit of chicanery, for which we have John Locke to thank, seems almost to solve the problem, almost to lend a plausible reality to what is essentially a Robinson Crusoe fantasy. But it will not survive close inspection of its own premises—even leaving aside Marx's critique of the notion that there can be a fair exchange between the one who owns a factory and the one who owns only personal labor power. For any stable system of exchange does indeed require, as both Locke and Nozick say, a state. This is the state that could come into being,

according to Nozick, through the voluntary actions of its inhabitants—hypothetically. But now we see, *pace* Locke, that what people have to protect is *everything produced by their own bodily powers*. Therefore we can also see how nonsensical (and deliberately invidious) is the distinction between protecting “our” factories, houses, money, or commodities, on the one hand, and our children’s prospects, our future health and safety, our opportunities for “success” in life, our desires to cooperate and share with others, and our very access to the protecting state itself, on the other hand. All of these things, for me, are equally conceivable as returns on my investment of my labor power. All are, in Aristotle’s sense, “things” which I can be expected to take better care of than anyone else, and of which I have the legitimate expectation of being encouraged and allowed to take care. Therefore, it is an act of moral arbitrariness to suggest that hypothetical rational actors would, to preserve their individualities, create only the minimal state-as-Pinkerton’s protective agency: the minimal *police state*. To protect what is “ours” we might just as well be imagined as having created, voluntarily and unanimously, through our separate individual acts, a full-fledged planned economy—not to mention a communal democratic utopia promising the utmost political say to each individual, which we can attain only by achieving a good bit of economic equality as well. Nor do we need the optimistic theories of Marx or Kropotkin about the nature of human cooperativeness to imagine this. We need only take an expansive rather than a contracted view of what people can think of *as their own*—of how far into their future, how broadly across their social space, how intermingled with the lives of others, they can extend their vision of “their own”—to see how crippled by sheer self-centered thinking is the notion of the minimal state.

In a revealing passage in *Capitalism and Freedom*, Friedman suggests that if four friends were walking along the street and one of them spotted a twenty-dollar bill, not only should he not be coerced into the generous course of action (dividing the spoils) by the other three friends, but “the generous course of action is not clearly itself the ‘right’ one.”⁶ In one brief paragraph he thus manages to de-moralize the notions of both friendship and generosity; refuses to confront the kind of life problem that the ethic of redistribution is based on in the real world; and fobs off the amorality of chance in place of a morality of effort. No example of “social” relations could be more revealing.

By way of contrast to Friedman and Nozick, it is instructive to see how an earlier theorist of economic and political liberty, John Stuart Mill, handled the same problem of defining boundaries between legitimate and illegitimate state action.⁷ In his *Principles of Political Economy*, Mill wrote more

⁶ Friedman, *Capitalism*, p. 165.

⁷ Mill is one of several inconvenient liberal philosophers whom Nozick manages never to mention throughout *Anarchy, State, and Utopia*.

than nine hundred pages in defense of free-market political economy. But throughout that discussion he signally avoided defending the principle of individual ownership of the means of production, going so far as to suggest that the healthiest community would be one in which all workers experienced the educational effects of ownership and management. He concluded, moreover, by appending about forty pages in which he discussed possible exceptions to the free-market rule. But rather than avoiding the implications of his exceptions like an ostrich, while pursuing the dangers of intervention like a hawk, he delineated the nature and extent of those exceptions so carefully that the last part of his *Principles* can stand as an early exposition of the idea of the welfare state.⁸ Mill himself saw the contradiction in what he had done, and gradually moved to disentangle himself from it; one of the last acts of his active political life was to give a subscription to the Radical Workingmen's Patriotic League—an organization much more accurately described by the first word in its title than by the third.

For Mill the problem was, on its surface, the interplay between liberty and education. Having described liberty as rational action, he could not avoid recognizing that the exploitative and stultifying treatment received by the average worker was bound to make him an enemy of liberty so conceived; though not a socialist himself, he thus supported some socialist organizations simply because they and only they took the education of workers seriously. He at last saw, one might say, that, given the sociology of capitalism, *On Liberty* was a utopian document; reducing the relations between people to those of economic exchange and noninterference could breed civility neither in those who benefited nor in those who suffered from that kind of political economy.

Beyond the question of education and civility, though, Mill also saw (as did the spirit of his age and as do the free-market ideologues of today) that the problem for liberty was ultimately one of encouraging rather than discouraging the growth of communal moral sentiment. In a rueful summary of Bentham's shortcomings, he wrote:

We have arrived, then, at a sort of estimate of what a philosophy like Bentham's can do. It can teach the means of organizing and regulating the merely *business* part of the social arrangements. Whatever can be understood, or whatever done, without reference to moral influences, his philosophy is equal to: where those influences require to be taken into account, it is at fault. He committed the mistake of supposing that the business part of human affairs was the whole of them; all, at least, that the legislator and the moralist had to do with. Not that

8 John Stuart Mill, *Principles of Political Economy*, in *Collected Works of John Stuart Mill*, vols. 2 and 3, ed. J. M. Robson and F. E. L. Priestly (Toronto: University of Toronto Press, 1965).

he disregarded moral influences when he perceived them; but his want of imagination, small experience of human feelings, and ignorance of the filiation and connection of feelings with one another, made this rarely the case.⁹

So, too, all those theories of the minimal state that define the liberty of persons solely in terms of their ability to pursue their own self-interests show the same "small experience of human feelings." The minimal state, according to Nozick, is justifiable because we can imagine people unanimously agreeing to hire a private army to protect their property—and thus implicitly agreeing on the legitimacy of a state that, growing out of such an arrangement, will do nothing more than protect property. But that is precisely what we *cannot* imagine people unanimously doing. I would not do it—that is, I would not make the armed protection of my real and personal property the first or even second order of organized social "business," for I find that a morally repulsive ordering of what is important in life. That is also true of most of my friends, and I suspect it is true of a good many of Nozick's friends, as well as of millions of people in all walks of life from all nations—including even those nations in which for decades the controllers of the mass media have propagandized the view that self-interest narrowly conceived is the only real human sentiment. And we do not need eighteenth-century French ideas about the happy lives of South Sea Islanders to support our intuitive rejections of that view either; the Victorian English gentleman's reproof of his godfather, his understanding that our caring for ourselves is inextricably linked to our caring for and duties to others, will do just as well.

Of course, a standard sophomoric exercise in utilitarianism, which Mill himself flirts with in his essay of that title, is the argument that my interest in the interest of others or of society generally can always be reduced to just another aspect of my own interest—of what pleases me. In a lucid essay on the subject of community, Robert Paul Wolff has shown that several states of being with which we are all familiar—such as taking mutual joy in the experience of communal activities or of work—cannot be so reduced, in that the condition of my personal enjoyment is that someone else is sharing it, so that without the pleasures of others my own pleasure would cease to exist.¹⁰ But we do not even need to argue that much to see how silly absolute egoism is. We need only note that if some people satisfy themselves by satisfying their own wants and perceived personal needs, and others satisfy themselves by satisfying the wants and expressed personal needs of others—kin, friends, neighbors, etc.—then we are dealing with two entirely different kinds of people; to describe both kinds as "selfish" would

⁹ See Mill's essay "Bentham," in *Collected Works*, vol. 10, pp. 99–100.

¹⁰ Robert Paul Wolff, *The Poverty of Liberalism* (Boston: Beacon Press, 1968), ch. 5.

be to destroy the meaning of the adjective, since it would then be applied to contrary states of mind.

A political egoist like Nozick cannot have it both ways. If the hypothetical social contract from which he proceeds to an individualistic, inegalitarian polity is supposed to be a legitimate intellectual construct because it is somehow based on human reality, on an accurate psychological depiction of real people, then it is a useless falsehood—no such contract could ever be agreed to unanimously, and we cannot find in it a distinctive justification for the minimal state. On the other hand, if this social contract is merely intended as a guide to the moral imagination, then, as Mill would suggest, it is only a guide to a bad moral imagination. Whether from the standpoint of how people have actually conducted themselves in history, or of what we think would be a decent way for people to conduct themselves, the narrowly materialistic view of people on which the free-market theorists stand is either false or obnoxious.

It was no utopian radical, but rather that noted neo-Hobbesian Justice Holmes who remarked about a case dealing with the question of restrictions on trade union activity, that one of the things “freely contracting” individuals might reasonably be expected to do with their individual rights was to give them up to a collective body that might protect those rights better than they could themselves.¹¹ And that reasoning is as true of our joint right to secure the health of workers, the conservation of resources, or the welfare of children, as of the right to own and dispose of productive equipment. The concerns of the factory inspector, the ombudsman or woman, the works committee, the social worker, the economic planner, and even the tax collector, are every bit as universal, to the sensitive imagination, as are the concerns of the policeman. We need only note, for example, that there are far fewer industrial deaths and accidents per capita in those European welfare states with intrusive safety agencies than in the United States with a complaisant one. Are death and disfigurement to be somehow equated with “liberty”? And is it coincidental that there has never been any popular opposition to industrial safety enforcement in the United States, but merely a successful industry lobby? What kind of “liberty” is it that most people don’t want? The antistatists are in the impossible position of first justifying the free market on the grounds that it maximizes political liberty, and then decrying almost everything that people normally do with that liberty. In truth it is private privilege, not public liberty, that they yearn after.

The minimal state, then, cannot deliver what most people mean by “liberty.” Moreover, the liberty it does promise is betrayed and destroyed at the very moment of its inception: the moment at which, under the guise of liberating

¹¹ *Coppage v. Kansas*, 236 U.S. 1 (1915), pp. 46-47.

individuals, the corporate concentration of capital is liberated (or unleashed) instead.

The antistatist opposition to the public control of enterprise is invariably based on the assumption that whereas public intervention into or prohibition of "capitalist acts among consenting adults" (Nozick's phrase) is ipso facto an invasion of liberty, those acts themselves are always the acts of "free" men and women. Indeed, the antistatists write as though consent and freedom were the same thing, leaving one baffled as to what they would say if they found out that some or even most of the Soviet citizens who troop to the polls to vote for their "representatives" actually believe in what they are doing, or that a great many Paraguayans actually want General Stroessner to be their permanent dictator, or that many of the millions of Spaniards who cried when Generalissimo Franco died cannot reconcile themselves to any democratic replacement. But the psychology of consent is not the real issue in any event.

The question of "public" versus "private" arises in the economic sphere only when ownership of productive property is defined in such a way as to create adverse interests. On an anarchist commune, where everyone owns the means of production equally (not an equal share of the means, but an equal share in the total ownership of them), there would indeed be no reason to prohibit, regulate, or supersede "capitalist acts among consenting adults," for they would take place, if at all, only in the sphere of consumption. In that sphere, the number of your Coca-Colas worth my pack of cigarettes (or even the number of your work hours worth my pack of cigarettes, if work is arranged in that way) is decided only by our personal tastes, and the trade we arrange is truly "free." That stops being the case if one of us "owns" productive property and the other does not—that is, if capitalism exists. Of course, we can imagine a form of primitive capitalism (what Marx called "simple commodity production") in which everyone owns his or her tools of production, land to produce on, etc., there being, as a result, no corporations, no labor market, and no exchange of labor at all. But in the present context, that would be a state of economic affairs so primitive that (leaving aside whether it would be humanly desirable) there is no point in considering it. Certainly it is not what Friedman, Nozick, Hayek, and the other ideologues of market capitalism have in mind; they are not making an argument against state interference with personal producers, but against state interference with corporations and other forms of extended enterprise.

In any form of enterprise that transcends in its scope the labor of a small number of people, the question of ownership becomes crucial. It must be either by all jointly, or by a few; it cannot be by each individual separately, as the history of the rise of the corporation demonstrates. Capitalism is the system in which ownership is the purview of a few; or, to put it another way, capitalism is the economic system in which the wages of labor are separated from the rewards

(profits) of ownership. The latter are expected to produce reinvestment; the former are not. It is certainly possible to imagine a system in which all returns from sales are distributed as wages to all employees (rather than to shareholders), who then decide as individuals how much of their wages to reinvest—or decide as a community by majority vote. In such a system (perhaps we should call it “socialism”) it would seem that there could be no interference by “government” with “property,” since people would only be interfering with themselves and their own rights. By contrast, the whole purpose of the free-market approach to politics is rather to argue that the “majority,” whoever they are, should not interfere with the few. Free-market ideology necessarily postulates means of production, whether in the corporate or in some other mode, that have the legal form described so sharply by Hegel: “[It] consists of external objects with the special character of being property, the embodiment of the free will of others, and hence from [this] point of view its recalcitrance is absolute.”¹²

This “absolute recalcitrance” is what Nozick and Friedman mean by the “rights of property.” But is a free man who owns large-scale means of production the same kind of free man as one who does not, who owns nothing but his own body and its ability to do labor? The answer was made clear by Marx over a century ago. The owner of a mere body is “free” to sell his or her labor at its price, and gets the returns on that sale from his or her employer. The latter sells *products*, the price of which includes the price of the employed labor *plus* profit. But whereas the employee can bargain with the employer about the rate of pay for labor, there is no bargaining about the disposition of profit. That belongs entirely to the employer; it is the “property right” of ownership of productive property. (Without it, to repeat, we have socialism rather than capitalism.) What is the particular and unequal freedom that is given, for no apparent moral reason, to the employers of labor and not to the sellers of labor? It can be described very simply by way of an example.¹³

¹² G. W. F. Hegel, *The Philosophy of Right*, trans. T. M. Knox (New York: Oxford University Press, 1969), p. 128, section 195.

¹³ This discussion of what is in effect Marx's notion of surplus value proceeds without any judgment as to whether Marx was correct in his assertion that labor creates all value. It is not necessary for the egalitarian to concur in that judgment, nor in the particular judgments that Marxists are prone to make as to whether managers, middlemen, and other “nonproductive” workers deserve a living wage for their efforts, or the suppliers of capital (be they individuals or collectives) some return for the benefits they've foregone by supplying finance to others. To understand the *political* significance of surplus value, we need only look at what happens after the reasonable rewards of all labor, maintenance, and replacement of plant and equipment has been replenished, and investors have been repaid at a (unanimously) agreed-on “reasonable” rate of interest. What is left over—“undistributed” or “retained” profit, amounting to hundreds of billions of dollars annually in the U.S. economy—is what we are talking about.

We can begin this homely, even trivial, example by imagining a family who live in a house near a lake, the use of which they easily enjoy only because a neighbor whose property abuts on the lake gives them access through his property, for no return other than friendship. The members of the family all work at a nearby industrial plant. They have contracted freely to work there, agreed to the contractual terms of employment, and consider themselves free agents still. However, because of its ability to employ them and their fellow workers at average wages lower than the average revenue it earns from the workers' total contribution to the sale of the product they help make (even after reasonable returns to investors, contributions to sinking funds, royalties to inventors, and reasonable wages for management are subtracted), the corporation is enabled to make a profit—to realize an investable surplus. With this investable surplus, which over time becomes immense, the company buys their neighbor's lakefront property for expansion purposes. It promptly closes down their access to the lake. Of course, the lake has a large circumference, not all of which is taken over by the company; with some trouble, the family can still find a public beach. But then the company, which manufactures chemicals, begins to discharge their residues into the lake, polluting it so badly that the lake will be unusable for years, though not so badly that the society at large has a burning interest in bringing about an immediate halt to the discharge. (This fable is not exactly a fable.) The family decides to take its freely earned wages and move. At this point, however, the company uses its surplus funds to contract with a road-building company to drive a giant highway from the company's expanded lakefront operation to the outside world—a sloping, downhill road on which giant trailer trucks reach a double-clutched climax about ten feet from the family's front door. The family's property has become worthless; they can no longer sell it at a price that will enable them to replace it with a similar house. The company, of course, will buy it from them—for a song.

What has happened there? This (not very) imaginary family has lost their property and concomitantly much of their savings, been deprived of the major amenity of their lives, and been *forced* to move—quite possibly into housing owned by the company or one of its agents, so that they will now be dealing with an impersonal absentee landlord who is trying to make further profit from their very living arrangements, and will continue to do so unless they actually leave the neighborhood and seek employment elsewhere. (Given what were in the past the normal operations of unfettered private enterprise, they may also have to buy provisions from the company at its prices, and be forbidden to attend meetings with—or receive in their homes—labor organizers, or other opponents of “capitalist acts among consenting adults.” This kind of arrangement still exists, e.g., in the East Kentucky coal fields.) Everything about the lives of this family, in fact, has been destroyed; and it has been destroyed by the normal operations

of a private contract, respecting the rights of property, to which they “freely consented.” They had intended merely to make a living out of a fair exchange of their labor for wages; they may even (it is stretching a point to presume so) have consented to conditions of work. But they certainly never consented to helping their employer gain almost total control over their lives. Without expecting to, this family of workers has discovered the relationship between surplus value, in the particular form of private profit outside its control, and alienation: that situation in which “the object which labour produces—labour’s product—confronts it as *something alien*, as a *power independent* of the producer.”¹⁴

Moreover, alienation of this kind is not a psychic deformation that can be treated by a sympathetic therapist, nor is it merely a lack of owning one’s own tools and thus missing the joys of being a craftsperson. It is a social and a political fact—a political fact because any attempt by this family of workers to rectify their situation through government intervention will require (and has required, over the past century) an uphill struggle first to organize a mass movement, then to get it represented in the legislative arena, then to command a majority, and finally to pass legislation that works a real change in social relations. None of that is necessary for the owners of capital who, as far as access to the minimal state goes, are already there. Nozick, as we have seen, posits that the state comes into existence as the outgrowth of a “dominant protective association” that is hired to enforce the law by the owners of property; but how will the owners of a house attain the equal protection of the laws with the owners of a factory that employs them as labor? Surely, among “consenting capitalist adults” of all people, the man who pays the piper calls the tune.

The defenders of laissez-faire have always replied to this kind of criticism with some kind of argument about the “natural” rights of ownership. Not only are the rights of corporate property very much man-made rather than natural; more crucially, as I shall argue in the second part of this essay, the free-market institutions in which those rights are embedded were created, and have been maintained, by that very coercive state whose activities the free-market theorists otherwise pretend to decry.

¹⁴ Karl Marx, *Early Writings*, trans. T. B. Bottomore (New York: McGraw-Hill, 1964), p. 122.

(Part two of this article will appear in the next issue of *democracy*.)