

THE SPOONER-TUCKER DOCTRINE: AN ECONOMIST'S VIEW

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FIRST, I MUST BEGIN by affirming my conviction that Lysander Spooner and Benjamin R. Tucker were unsurpassed as political philosophers and that nothing is more needed today than a revival and development of the largely forgotten legacy that they left to political philosophy. By the mid-nineteenth century, the libertarian individualist doctrine had reached the point where its most advanced thinkers in their varying ways (Thoreau, Hodgskin, the early Fichte, the early Spencer) had begun to realize that the State was incompatible with liberty or morality. But they went only so far as to assert the right of the lone individual to opt out of the State's network of power and tax-plunder. In this uncompleted form, their doctrines were not really a threat to the State-apparatus, for few individuals will contemplate opting out of the vast benefits of social living in order to get out from under the State.

It was left to Spooner and Tucker to adumbrate the way in which all individuals could abandon the State and cooperate to their own vast mutual benefit in a society of free and voluntary exchanges and interrelations. By doing this, Spooner and Tucker advanced libertarian individualism from a protest against existing evils to pointing the way to an ideal society toward which we can move; and what is more, they correctly located that ideal in the free market which already partially existed and was providing vast economic and social

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benefits. Thus, Spooner, Tucker, and their movement not only furnished a goal toward which to move, but they also greatly surpassed previous “utopians” in locating that goal in already-existing institutions rather than in a coercive or impossible vision of a transformed mankind. Their achievement was truly remarkable, and we have not yet risen to the level of their insights.

I cannot conclude a tribute to Spooner and Tucker’s political philosophy without quoting a particularly magnificent passage from Spooner’s *No Treason No. VI*, which meant a great deal to my own ideological development:

[i]t is true that the theory of our Constitution is, that all taxes are paid voluntarily; that our government is a mutual insurance company, voluntarily entered into by the people with each other. . . .

But this theory of our government is wholly different from the practical fact. The fact is that the government, like a highwayman, says to a man: “Your money or your life.” And many, if not most, taxes are paid under the compulsion of that threat.

The government does not, indeed, waylay a man in a lonely place, spring upon him from the roadside, and, holding a pistol to his head, proceed to rifle his pockets. But the robbery is nonetheless a robbery on that account; and it is far more dastardly and shameful.

The highwayman takes solely upon himself the responsibility, danger, and crime of his own act. He does not pretend that he has any rightful claim to your money, or that he intends to use it for your own benefit. He does not pretend to be anything but a robber. He has not acquired impudence enough to profess to be merely a “protector,” and that he takes men’s money against their will, merely to enable him to “protect” those infatuated travellers, who feel perfectly able to protect themselves, or do not appreciate his peculiar system of protection. He is too sensible a man to make such professions as these. Furthermore, having taken your money, he leaves you, as you wish him to do. He does not persist in following you on the road, against your will, assuming to be your rightful “sovereign”; on account of the “protection” he affords you. He does not keep “protecting” you, by commanding you to bow down and serve him; by requiring you to do this, and forbidding you to do that; by robbing you of more money as often as he finds it for his interest or pleasure to do so; and by branding you as a rebel, a traitor, and an enemy to your country, and shooting you down without mercy, if you dispute his authority, or resist his demands. He is too much of a gentleman to be guilty of such impostures, and insults, and villainies as these. In short, he does not, in addition to robbing you attempt to make you either his dupe or his slave.

The proceedings of those robbers and murderers, who call themselves “the government,” are directly the opposite of those of the single highwayman.¹

Who, after reading that superb passage, can ever be a dupe of the State again?

I am, therefore, strongly tempted to call myself an “individualist anarchist,” except for the fact that Spooner and Tucker have in a sense preempted that name for their doctrine and that from that doctrine I have certain differences. Politically, these differences are minor, and therefore the system that I advocate is very close to theirs; but economically, the differences are substantial, and this means that my view of the consequences of putting our more or less common system into practice is very far from theirs.

Politically, my differences with Spooner-Tucker individualist anarchism are two-fold. In the first place, there is the role of law and the jury system in the individualist-anarchist society. Spooner-Tucker believed in allowing each individual free-market court and more specifically, each free-market jury, totally free rein over judicial decisions. There would be no rational or objective body of law which the juries would in any sense—even morally—be bound to consult, nor even any judicial precedents, since each jury would have the power to decide both the facts and the law of every case strictly *ad hoc*. With no guides or standards to follow, even juries with the best of will could not be expected to arrive at just or even libertarian decisions.

In my view, law is a valuable good that is no more necessarily produced by the State than is postal or defense service; the State can be separated from lawmaking just as it can be separated from the religious or the economic spheres of life. Specifically, it would not be a very difficult task for Libertarian lawyers and jurists to arrive at a rational and objective code of libertarian legal principles and procedures based on the axiom of defense of person and property, and consequently of no coercion to be used against anyone who is not a proven and convicted invader of such person and property. This code would then be followed and applied to specific cases by privately-competitive and free-market courts and judges, all of whom would be pledged to abide by the code, and who would be employed on the market proportionately as the quality of their service satisfies the consumers of their product. In the present society, juries have the inestimable virtue of being repositories of defense of the private citizen against the State; they are indispensable nuclei of people outside

¹Lysander Spooner, *No Treason: The Constitution of No Authority*, No. VI (Boston, 1870), pp. 12–13.

the State-apparatus who can be used for protection of the harried defendant in the State's courts. But in the libertarian society, that special virtue would be gone.²

On the problem of justice, however, a reconciliation is possible: Tucker, after all, does say at one point that, "Anarchism does mean exactly the observance and enforcement of the natural law of liberty," and that is precisely what I am calling for.³

My second political difference with Spooner-Tucker is on the land question, specifically on the question of property rights in land title. Here, however, I believe that the Tucker position is superior to that of current laissez-faire economists who either take no position on land or else blithely assume that all land titles must be protected simply because some government has declared them "private property"; and superior to the Henry Georgists, who recognize the existence of a land problem but who deny the justice of any private property in ground land. The thesis of the individualist anarchists, developed by Joshua K. Ingalls, was that private ownership of land should be recognized only in those who themselves are using the specific areas of land. Such a theory of property would automatically abolish all rent payments for land, since only the direct user of a piece of land would be recognized as its owner.

While I strongly disagree with this doctrine, it does supply a useful corrective to those libertarians and laissez-faire economists who refuse to consider the problem of land monopoly in the State's arbitrary granting of land titles to its favorites, and therefore who fail completely to tackle what is probably the number one problem in the undeveloped countries today. It is not enough to call simply for defense of the "rights of private property"; there must be an adequate theory of justice in property rights, else any property that some State once decreed to be "private" must now be defended by Libertarians, no matter how unjust the procedure or how mischievous its consequences.

²Professor Bruno Leoni of the University of Pavia, though far from an anarchist, has recently written a stimulating defense of the superiority of the making of law by privately-competitive judges to the arbitrary and changing decrees of a state legislature. He, too, however, fails to recognize the necessity for a rational and libertarian code to provide the standard. See Bruno Leoni, *Freedom and the Law* (Princeton, N.J.: D. Van Nostrand, 1961) and Murray N. Rothbard, "On Freedom and the Law," *New Individualist Review* (Winter, 1962): 37–40.

³Benjamin R. Tucker, *Instead of a Book* (New York, 1893), p. 37.

In my view, the proper theory of justice in landed property can be found in John Locke: that it first become private property by the use criterion. This rules out State sales of unused and unowned “public domain” to land speculators in advance of use, as conveying any valid title whatever. This much of the way I proceed with Ingalls and the anarchists. But once use and settlement convey proper title, it seems to me a complete violation of the Spooner-Tucker “law of equal liberty” to prevent that legitimate owner from selling his land to someone else.

In short, once a piece of land passes justly into Mr. A’s ownership, he cannot be said to truly own that land unless he can convey or sell the title to Mr. B; and to prevent Mr. B from exercising his title simply because he doesn’t choose to use it himself but rather rents it out voluntarily to Mr. C, is an invasion of B’s freedom of contract and of his right to his justly-acquired private property. In contrast, I can see no rational grounds whatever for the principle that no man can ever get off or rent out his justly acquired property. Tucker’s usually spirited and intelligent defense of the free market and of private property is here sadly lacking. Furthermore, such hobbling of land sites or of optimum use of land ownership and cultivation and such arbitrary misallocation of land injures all of society.

But my main quarrel with the Spooner-Tucker doctrine is not political but economic, not the form of our ideal system but the consequences that would follow after such a system is adopted. To that extent, the quarrel is not moral or ethical but scientific. I am the first one to concede that most economists vaingloriously think of their science as proving an open sesame to ethical and political decisions; but where economic matters are under discussion, it is our responsibility to take the findings of economic science into account.

Actually, in contrast to collectivist anarchists and to many other types of radicals, Spooner and Tucker tried to use economics rather than scorn it as excessively rational. Some of their fallacies (for example, the “law of cost,” the labor theory of value) were embedded in much of classical economics; and it was their adoption of the labor theory of value that convinced them that rent, interest, and profit were payments exploitatively extracted from the worker. In contrast to the Marxists, however, Spooner and Tucker, understanding many of the virtues of the free market, did not wish to abolish that noble institution; instead, they believed that full freedom would lead, by the workings of economic law, to the peaceful disappearance of these three categories of income. The mechanism for this peaceful abolition Spooner and Tucker found—and here they unfortunately ignored the

teachings of classical economics and substituted instead their own fallacies—in the sphere of money.

The two basic interrelated fallacies of Spoonerite theory (and the theory of all schools of writers who have unkindly been labelled by economists as “money-crank”) are a failure to understand the nature of money and the nature of interest.⁴ Money-crankism assumes (1) that more and ever more money is needed on the market; (2) that the lower the interest rate the better; and (3) that the interest rate is determined by the quantity of money, the former being inversely proportional to the latter. Given this set of totally fallacious assumptions, the prescription follows: keep increasing the quantity of money and lowering the rate of interest (or profits).

At this point, money-crankism separates into two schools: what we might call the “orthodox,” who call on the State to print enough paper money to do the job (for example, Ezra Pound, the Social Credit Movement); and the anarchist or Mutualist, who wants private persons or banks to do the work (for example, Proudhon, Spooner, Greene, Meulen). Actually, within these narrow limits, the statist is far better economist than the anarchist; for while the State can wreak havoc by inflating enormously and by temporarily lowering the rate of interest, the anarchist society would, contrary to anarchist notions, lead to much “harder” money than we have now.

In the first fallacy, it must be concluded that money-crank is simply pushing to its logical conclusion a fallacy adopted widely by preclassical and by current Keynesian writers. The crucial point is that an increase in the supply of money does not confer any benefit whatever on society. On the contrary, it is a means of exploitation of the bulk of society by the State, State-manipulated banks and their favorites. The reason is that, in contrast to potatoes or steel, an increase of which means that more goods can be consumed and more people benefitted, money does its full social work regardless of its quantity on the market. More money will only dilute the purchasing power, the value in exchange, of each dollar; less money will add to the value of each dollar.

⁴For the sake of simplicity, we will here continue the practice of the classical economists of lumping “interest” and “profits” together. Actually, the rate of profit on the market tends, in the long-run, to equal the rate of interest. Short-run profit (and losses) would continue to exist on the market even if Spooner had his way and the rate of interest (and of long-run profit) fell to zero. The true nature of the distinction between interest and profit was not discovered until the work of Frank H. Knight, *Risk, Uncertainty, and Profit* (Boston, Mass.: Houghton Mifflin, 1921).

David Hume, one of the greatest economists of all time, went to the heart of this question by asking what would happen if everybody magically woke up one morning with the quantity of money in his possession doubled, tripled, or whatever. It should be clear that everyone's subjective feeling of affluence would fade quickly as the new dollars bid up the prices of goods and services, until these prices have doubled or tripled, and society would be no better off than before. The same would be true if everyone's monetary assets were suddenly halved. Or we can postulate a sudden change of name from "cent" to "dollar," with all denominations increasing proportionately. Would everyone really be one hundred times better off? No; indeed the popularity of inflation through the centuries stems from the very fact that everyone is not getting his money supply doubled or quadrupled all at once. It stems from the fact that inflation of the money supply takes place a step at a time and that the first beneficiaries, the people who get the new money first, gain at the expense of the people unfortunate enough to come last in line.

There was a brilliant *New Yorker* cartoon some years ago that cut to the heart of both the whole inflationist process and the sophisticated rationalizations for plunder and exploitation that have been used to justify it: a group of counterfeiters are happily contemplating their handiwork, and one says: "Retail spending in the neighborhood is about to get a needed shot in the arm." Yes, the people who first receive new injections of money (whether the counterfeiting be legal or illegal) do benefit first (that is, the counterfeiters and those whom they spend the money on, or, as banks, lend the money to), but they do so at the expense of those who receive the money last and who find the prices of things they have to buy shooting up before the new injection filters down to them. There is a "multiplier" effect of injecting new money, but it is an effect that exploits some people for the benefit of others, and being exploitation, it is also a drag and a burden upon genuine production on the free market.

As for the rate of interest, it is not simply the price of money, and it is, therefore, not inversely proportional to its quantity. In the David Hume situation, for example, a fourfold rise in the quantity of money will lead to a fourfold rise in various prices, assets, etc., but there is no reason for this increase to affect the rate of interest. If \$1,000 once brought \$50 interest per year, \$4,000 will now bring \$200; the amount of interest will rise fourfold, like everything else, but there is no reason for the rate to change. Lysander Spooner believed that if the supply of money were raised sufficiently (as it supposedly would on the purely free market), the rate of interest would fall to zero; actually, there is no reason for it to change at all.

In the process of inflation, as carried out in the real world, generally the new money first enters the loan market; while that occurs, the rate of interest on the loan market falls; but this fall is strictly temporary, and the market soon restores the rate to its proper level. Indeed, in the later stages of inflation, the rate of interest rises sharply. This process of inflationary distortion of the rate of interest followed by free-market restoration is, in fact, the true meaning of the familiar “business cycle” that has plagued capitalism since the rise of bank credit inflation.⁵

As for the rate of interest, it is not a function of the quantity of money. It is a function of “time preference,” of the rate at which people prefer satisfactions in the present to the same satisfactions in the future. In short, anybody would rather have \$100 now than \$100 ten years from now (setting aside possible changes in the value of money in the interim or the risk of not getting the money later), because he is better off if he can spend, or simply hold, the money right away.

It should be clear that this phenomenon of time preference is deeply rooted in human nature and the nature of man; it is not in the least a monetary phenomenon but would be just as true in a world of barter. And on the free market, interest is not just a phenomenon of lending, but (in the shape of “long-run” profit) would be fully as true of a world in which everyone invested his own money and nobody loaned or borrowed. In short, capitalists would pay out \$100 this year to workers and landowners and then sell the product and reap, say, \$110 next year, not because of exploitation, but because all parties prefer any given amount of money this year to next year. Hence, capitalists, to pay out wages and rents in advance and then wait for sale, will do so only if compensated by an “interest” (profit) return; while, for the same reason, workers and landowners are willing to accept this 10 percent discount of their product in order to take their money now and not have to wait for sales to the consumer.

It should be remembered by radicals that, if they wanted to, all workers could refuse to work for wages and instead form their own producers’ cooperatives and wait for years for their pay until the products are sold to the consumers; the fact that they do not do so, shows the enormous advantage of the capital investment, wage-paying system as a means of allowing workers to earn money far in advance of the sale of their products. Far from being exploitation of

⁵The Great Depression of 1929 has been universally blamed on free-market capitalism. For an explanation of this depression based on the above theory of bank credit inflation, see Murray N. Rothbard, *America’s Great Depression* (Auburn, Ala.: Mises Institute, 2000).

the workers, capital investment and the interest-profit system is an enormous boon to them and to all of society.

The rate of interest or profit on the free market, then, is a reflection of people's time preferences, which in turn determine the degree to which people voluntarily allocate their assets between savings and consumption. A lower rate of interest on the free market is a good sign because it reflects a lower rate of time preference, and hence increased savings and capital investment. But any attempt to force a lower interest rate than that reflecting such voluntary savings causes incalculable damage and leads to depressions in the business cycle. Trying to lower the interest rate and expecting good results is very much like trying to raise the heat in a room by forcing up the thermometer.

Finally, it is important to show the true economic consequences of the Spooner-Tucker system put into practice. Without the State to create the conditions and coercions for continued inflation, attempts at inflation and credit expansion could not succeed on the free market. Suppose, for example, that I decided to print paper tickets called "two Rothbards," "ten Rothbards," etc., and then tried to use these tickets as money. In the libertarian society I would have the perfect right and freedom to do so. But the question is: who would take the tickets as "money"? Money depends on general acceptance, and general acceptance of a medium of exchange can begin only with commodities, such as gold and silver. The "dollar," "franc," and other monetary units began not as names in themselves, but as the names of certain units of weight of gold or silver on the free market.

And this is precisely what would happen if the free market were given its head. Gold and silver would be generally used as money, and the various flighty attempts at creating new monetary units out of thin air would . . . vanish into thin air. Any banks which fraudulently printed paper tickets called "dollars," thus implying that these were equivalent to, and therefore backed by, gold and silver, might continue in business a bit longer. But even they, without the State and its legal tender laws and central banks and "deposit insurance" to prop them up, would either disappear through "bank runs" or be confined to very narrow limits. For if a bank issued new paper tickets and loaned them to its clients, as soon as the clients tried to buy goods and services from nonclients of that bank, they would be undone, for the nonclients would no more accept Bank A's notes or deposits as money than anyone would accept my "ten Rothbards."⁶

⁶For a fuller description of the principles of money and banking on the free market and under government intervention, see Murray N. Rothbard, *What Has Government Done to Our Money?* (Auburn, Ala.: Mises Institute, 1990).

Thus, a system of free banking, such as envisioned by Spooner and Tucker, far from leading to an indefinite increase of the supply of money and a disappearance of interest, would lead to a far “harder” and more restricted money supply. And to the extent that there would be no government-manipulated credit expansion, there would be a higher rate of interest. The nineteenth-century French economist, Henri Cernuschi, once expressed this very well:

I believe that what is called freedom of banking would result in a total suppression of banknotes (and also of bank deposits) in France. I want to give everybody the right to issue banknotes so that nobody should take any banknotes any longer.⁷

It seems to be a highly unfortunate trait of libertarian and quasi-libertarian groups to spend the bulk of their time and energy emphasizing their most fallacious or unlibertarian points. Thus, many Georgists would be fine Libertarians if they would only abandon Georgists’ views on land, but, of course, the land question is by far their greatest point of concentration. Similarly, it has been particularly distressing to me as an ardent admirer of Spooner and Tucker to find that their followers have emphasized and concentrated on their totally fallacious monetary views almost to the exclusion of all else and even bring them forth as a panacea for all economic and social ills.

There is, in the body of thought known as “Austrian economics,” a scientific explanation of the workings of the free market (and of the consequences of government intervention in that market) which individualist anarchists could easily incorporate into their political and social *Weltanschauung*. But to do this, they must throw out the worthless excess baggage of money-crankism and reconsider the nature and justification of the economic categories of interest, rent and profit.

At least twice in the heyday of anarchism in the United States, individualist anarchists were exposed to critiques of their economic fallacies; but, unfortunately, the lesson, despite the weakness of Tucker’s replies, did not take. In the August 1877 issue of Tucker’s *Radical Review*, Spooner had written of “The Law of Prices: A Demonstration of the Necessity for an Indefinite Increase of Money.” In the November 1877 issue, the economist, Edward Stanwood,

⁷Henri Cernuschi, *Conte Le Billet de Banque* (Paris, 1866), p. 55. Quoted in Ludwig von Mises, *Human Action* (Auburn, Ala.: Mises Institute, 1998), p. 443.

wrote an excellent critique, “Mr. Spooner’s Island Community.” Also, in Tucker’s *Instead of a Book*, there are a series of interchanges in which J. Greevz Fisher, the English follower of the quasi-anarchist Auberon Herbert, criticized Tucker’s monetary doctrines from the point of view of sound economics.