**CHAPTER EIGHT: Crypto as an Austrian Economic Phenomenon**  
  
Bitcoin…is better understood using the conceptual lens of the Catallaxy: participants in Bitcoin spontaneously form a decentralized monetary and financial ecosystem, collectively choosing Bitcoin as a medium of exchange and store of value. Bitcoin is…an irrefutable demonstration of spontaneous order in action.—[Francis Pouliot](https://medium.com/@francispouliot/catallaxy-the-origins-of-bitcoin-and-innovation-93dbc3190eac)  
  
**The Catallaxy of Crypto**  
  
Catallaxy examines how *economic* order emerges in a system through the uncoordinated and diverse actions of individuals who pursue their own self- interests; it is economic spontaneous order. Sometimes called “catallactics,” the economic concept is one of the intellectual breakthroughs that allowed free- market advocates explain how society evolved without a central authority. Hayek defines it as “the order brought about by the mutual adjustment of many individual economies in a market.”  
  
The obscure term captures the dynamic that creates civilization: spontaneous economic cooperation between individuals and groups of individuals. If human beings are to rise above the level of Robinson Crusoe, then they must interact to mutual advantage. Cooperation is so valuable to individual freedom that Satoshi provided the blockchain’s blueprint for free as a way to better the world because this bettered him. It was in his self-interest.  
  
The Satoshi revolution exemplifies how methodological individualism and catallaxy work together. Economic control is vested in individuals. People store their wealth in private wallets with which they conduct international trade, without going through a banking system that would be the equivalent of going through the state. The decentralization is reinforced, not contradicted, by the cooperation  
  
of a network of people who are strangers acting in their own self-interest. Yet the strangers all benefit each other, even though they might not like each other in person should they ever meet. Crypto is true economic society.  
  
Throughout the work of Hayek, Mises and other free-market economists, two fundamental concepts emerge repeatedly: methodological individualism and spontaneous order. The two concepts are the backbone that forms the ideological structure of cryptocurrency. They also explain why the explosion of crypto freedom was so unexpected. It sprang from individuals and freedom of action, both of which encourage unpredictable bursts of creativity. With crypto, the explosion occurred in the area most in need of it.  
  
The most difficult area in which to implement methodological individualism is finance because it has been controlled for so long by one of the most powerful collectives in existence: central banks that function as arms of the state. This means that the institutions surrounding central banking have been formed by its presence and requirements. Public attitudes have been similarly formed.  
  
Society needs to be reminded: Government does not produce wealth. Yet the state needs vast amounts of money to finance bureaucracy, the military, and other centralized trappings of power. This means government needs to steal vast amounts of wealth from the private sector. But to do so directly might cause resistance in the form of tax revolts or worse—worse for the state, that is. So government issues bonds, compulsory fiat, encourages inflation, and it forces all commerce to go through crony institutions that are under its control. Many people accept this status quo as the way of the world. What else have they known? Others, especially those with an understanding of history, know that the situation is not politically or morally inevitable. For a long time, however, dissenters saw no viable path around the centralization of finance.  
  
Enter crypto. It is a pure expression of methodological individualism and  
  
spontaneous order. It what ways? The ways include:  
  
• It is decentralization writ large. The central engineering of money and its flow is embodied by legal tender laws, inflating fiat, central banking,  
  
financial licensing laws, reporting requirements, and the other economic monopolies that are artificially created by the state. As long as individuals must play by the state’s rules, especially the use of fiat and banks, there is no financial freedom. In what seemed like an instant, but which really took years, Satoshi (and his crypto antecedents) decentralized both money and its means of transmission. The abstractions of state and central banking have been replaced by the reality of individuals acting in their own self- interest.  
  
• It is conscious decentralization. The purpose of bitcoin and the blockchain is to bypass the need for a trusted third party, specifically central banking and  
  
the state. The first line of “Bitcoin: A Peer-to-Peer Electronic Cash System” reads, “A purely peer-to-peer version of electronic cash would allow online  
  
payments to be sent directly from one party to another without going through a financial institution.” In doing so, crypto bypasses the institutions used by the ruling elite to steal wealth.  
  
• Money is given value by individuals. The constructivists believe money is a social construct that is given meaning and worth by government in much  
  
the same manner as human beings are said to be given humanity through socialization. Satoshi flips the script. Government money is a fraud. The individuals who construct and use crypto infuse it with value whenever they prefer it as a means of exchange and for the other uses of money. Individuals not only create wealth but also define its worth.  
  
• Crypto is profoundly individualistic. This is true not merely of how it functions but also of its structure. It functions through the unintentional  
  
cooperation of self-interested individuals, such as miners. The blockchain’s structure cannot be centralized or nationalized; it is decentralization exemplified. Vladimir [Putin famously said](https://news.bitcoin.com/putin-cryptocurrency-has-its-place-no-state-can-have-own-crypto/) “neither Russia, nor any other country can have their own crypto, ‘by definition’. If we talk about cryptocurrency—this is something that goes beyond national borders.” Crypto on a blockchain comes as close as possible to a currency that the state cannot control or centralize. Some argue that crypto is already collectivist because it depends on a cooperative network of miners, nodes, developers, and administrators; some claim the network itself constitutes a trusted third party. It does not. The network is a model of how a trustless system operates. The accusation mistakes cooperation for collectivism, and consensus for central planning.  
  
• Crypto expresses the same sort of worldwide spontaneous order as “I, Pencil.” Around the globe, strangers unintentionally cooperate with each to  
  
mutual benefit. Their subjective and self-interested evaluations strengthen some types of crypto and devalue others to create an exchange rate for each one. Crypto has thrived precisely because an immense number of strangers control nodes, do transfers, innovate, write code, and cooperate. Each act is done for selfish reasons, but it results in profit for others.  
  
• Crypto can look like chaos, but it expresses a natural order. The order of centralization resembles a military parade or the obedient single-file lines at  
  
airport screening. Spontaneous order resembles a busy freeway where cars change lanes constantly, getting on and off at will. What appears to be chaos is a sophisticated form of organization in which strangers voluntarily participate. The chaotic-looking freeway takes people to their desired destination day after day.  
  
• Crypto brings order to the monetary realm through a diversity that offers almost infinite choice. Central banks and state-licensed financial institutions  
  
enforce uniformity because they need customers to conform to government regulations and reporting requirements. The imposed uniformity and centralized order do not reflect the preferences of individuals; they reflect  
  
the preferences of the state. The crypto community eschews uniformity because crypto serves individuals whose preferences are incredible diverse. Only when “uniformity” is used as a synonym for “order” does crypto become *dis*orderly. Otherwise, crypto mirrors the same sort of order as the trading floor at a stock exchange.  
  
• Government is irrelevant and a hindrance to crypto. Centralization requires the state or its equivalent because uniformity is unnatural and must be  
  
enforced. Decentralization does not requires a state because there is no forced conformity of action or preference. All choices are made by the individuals involved.  
  
• Crypto is the “invisible hand” of currency. The term describes the  
  
unintended social and economic benefits of actions taken by self-interested individuals. By pursuing their own financial interests, crypto users do far more to create sound currency and financial practices than monetary reformers who agitate for change within the status quo without questioning its fundamentals.  
  
Crypto is a pure expression of Austrian economics.  
  
**The Unacknowledged Revolutionary Aspects of Crypto**  
  
Crypto resembles the “lone gunman theory.” Although the term is usually associated with the assassination of President John Kennedy and the subsequent Warren Commission, its application can be expanded. History stumbles along a fairly steady path, albeit not always a salutary one, which is largely planned by government. Then a lone gunman jumps out of the bushes and shoots Archduke Franz Ferdinand of Austria, President McKinley, or JFK. Society reels. In the case of Ferdinand, the assassination sparked WWI. History changes forever, and the change cannot be undone.  
  
The state control of the financial world chugged along splendidly throughout the 20th century—or wretchedly, depending on your perspective. A net of global control was thrown over the finances of individuals through measures like the Foreign Account Tax Compliance Act (FATCA) which tried to ensure that freedom- seeking individuals had nowhere to go with their money. Then crypto jumps out of the bushes and assassinates the banking system. Economic history changes forever, and the change cannot be undone.  
  
The effect of crypto on statist financial institutions is well known. But the effects on social policy are less discussed. Predictably, the blast of freedom that shook up the central banking system also impacted other institutions and policies of the state. To touch upon a few, in passing:  
  
*Foreign Policy.* Food is frequently used as a weapon of foreign policy. An article in the *Free Thought Project* describes how the blockchain neutralizes the weaponization of food: “[Revolutionary Blockchain Tech is Helping Disaster Victims](https://thefreethoughtproject.com/revolutionary-blockchain-is-feeding-the-homeless-helping-disaster-victims-more/)  
  
[& Feeding the Hungry Without Government](https://thefreethoughtproject.com/revolutionary-blockchain-is-feeding-the-homeless-helping-disaster-victims-more/).” *“*As governments and bankers claim cryptocurrencies and the blockchain are tools of criminals, millions of dollars in aid —generated by these technologies—are helping the less fortunate all over the world.” The gist of the article is that crypto allows needy nations and individuals to skirt economic sanctions imposed upon them by more powerful nations. It has become more difficult to starve people for political advantage.  
  
*Domestic Policy.* When Venezuela’s government devalued the Bolivar by removing three zeros from the currency, citizens [flocked to the free-market alternative of bitcoin](https://qz.com/1300832/bitcoin-trading-in-venezuela-is-skyrocketing-amid-14000-inflation/), with which they were already familiar. “In advanced economies, crypto assets like bitcoin have so far had little purpose apart from speculation and gambling. In countries where the monetary system and financial structures are crumbing, bitcoin may provide an [alternative store of value](https://www.bloomberg.com/news/articles/2018-01-10/goldman-says-viability-of-crypto-is-highest-in-developing-world) relative to the local currency.” Crypto rescues businesses; it saves lives.  
  
*The Social Control of ‘Vice’.* “Operation Chokepoint” was an Obama-era banking policy that attacked allegedly undesirable but legal businesses such as the selling of medical marijuana, sex, and guns. The banking system closed accounts, canceled credit cards, and refused all services to “miscreant” customers. The practice is being revived today. Again, banks are targeting marijuana outlets, sex workers, and gun businesses whether or not these customers are conducting a legal business. Increasingly, sellers of frowned-upon goods and services have  
  
[turned to crypto](https://www.coindesk.com/sex-worker-retirement/) to sustain their livelihoods.  
  
*Protection of Free Speech.* After circulating documents that embarrassed governments, Wikileaks faced a banking blockade that killed off the donations that were its life-blood. Wikileaks opened donations via bitcoin, and [wealth poured in](https://news.bitcoin.com/wikileaks-raised-4000-btc-since-2011/) once more. Censorship was sidestepped. The same is true of the porn industry, which is a target of Operation Chokepoint.  
  
*The Free Flow of Information.* Intellectual property prosecutions are usually based on following the money and uncovering the individuals at the other end. Since crypto can be close to anonymous, that [strategy is gutted](https://news.bitcoin.com/eu-intellectual-property-bitcoin-piracy/). A bitcoin.com article entitled “EU Intellectual Property [IP] Office: Bitcoin Hinders Anti-Piracy Efforts” explains, “Bitcoin’s inherent threat, according to the report, is that transactions can’t be easily tied to an individual in the real world. This problem is a bad one for the EUIPO since copyright enforcement is usually based on the strategy of following the money.” This benefits the global flow of information.  
  
*Immigration Policy.* Immigration and temporary migration are often motivated by a desire to send money back home. But migrants are also often “unbanked” by financial institutions that require documentation. Or they have to pay huge fees to send money through a private business, with their families [waiting days for the transfers](https://news.bitcoin.com/whatsapp-payments-bitcoin-adoption/). President Trump has threatened to cut off this incentive for migration by closing down more channels of transmission. Fast, cheap transfers of crypto are incredibly difficult to control.  
  
*The Strangle-Hold of Lawyers and Courts.* [Smart contracts](https://news.bitcoin.com/smart-contracts-replace-law-firms/) are legally binding agreements that use software to self-execute the terms of the agreement. Peer-to- peer smart contracts may someday become ubiquitous, from real estate deals to insurance claims which will dramatically [reduce the need for lawyers](https://medium.com/polyswarm/5-companies-already-brilliantly-using-smart-contracts-ac49f3d5c431) .  
  
*The Autonomy of the Family.* Inheritance taxes are heinous because they are double taxation; a person whose wealth has already been taxed is relooted by government when he dies and passes an estate on to his family. Crypto can invisibly divide assets among loved ones.  
  
The foregoing is a small sampling of the revolutionary impact of crypto use. The institutions that serve a free-market function are being slowly returned to the control and service of individuals. The institutions that serve the state are fast being ignored.  
  
Crypto is the money of society, not of the state. Its evolution offers a rare glimpse into how essential institutions can arise in a free market with no assistance from government. Free-market crypto is methodological individualism and spontaneous order writ large in an essential area of life.  
  
**Decentralization as Disobedience**  
  
Decentralization as a freedom strategy means individuals seek empowerment by seceding from the state and reclaiming their autonomy as individuals. One way to secede is to disobey the law. Most people disobey the law in trivial and peaceful ways every day of their lives. They ignore speed limits, build an unauthorized addition to their house, cross against red lights, fib on government forms, get paid under the table, burn rubbish in their backyard, jaywalk, decline census questions, walk an unleashed or unlicensed dog, and text while driving. These minor offenses carry little risk beyond a fine, but they show that people think nothing of disobeying laws that make no sense or which unreasonably inconvenience them.  
  
Then there are those who disobey the law in a more serious manner. They evade taxes, establish unlicensed businesses, use illegal drugs, lie to the police, trade sex for money, or smuggle. These offenses carry a possible jail sentence, but people’s willingness to disobey shows that a significant portion of the population hold victimless-crime laws in such contempt that they will not comply, even at considerable risk to their well-being.  
  
In the ’80s, a popular strategy by which individuals completely decentralized their lives became known as “Browning-out” because practitioners used Harry Browne’s best-selling book *How I Found Freedom in an Unfree World: A Handbook for Personal Freedom* as a blueprint. Browne defines freedom as living life as you wish to live it while allowing others to do the same. Instead of protesting the state or seeking distant reform through organizations like the Republicans or Democrats, Browne claims people can enjoy a high degree of freedom here and now. Chapter 7 of his book, entitled “The Government Traps,” states, “But who is ‘society’ if not the same people who are already expressing their needs and  
  
preferences in the marketplace? If they aren’t willing to pay for the service in the free market…who can say they’re willing to pay for it through government?…All government actions depend upon one-sided transactions, in which an individual is forced to choose between paying for what he doesn’t want and going to jail.” Those who Browned-out from the Government Trap decentralized the power in their lives down to the personal level where they were the only authority over their own choices.  
  
Dropping out of society comes at a steep cost, however. It is not merely that the state tries to make examples of dissidents. It is also that society is an amazing benefit to mankind. It facilitates “goods” such as knowledge, prosperity, culture, progress, and emotional self-fulfillment in a manner impossible to human beings in isolation. Retreating becomes preferable only when a society is so totalitarian that it constitutes a danger or torment to life itself. That’s the point at which American slaves risked their lives to flee North, with hounds and armed men on their heels. That’s the point at which desperate people climbed a barbed-wired wall in East Berlin, despite guns trained on their backs. Desperate people try to escape a savagery that passes itself off as social order, and they risked their lives to do so.  
  
The lesson: Society is of value to individuals only to the extent that they have the ability to say “no.” Nothing is an unconditional “good”; even the food with which life is sustained is not an unconditional good. Ask people who wish to commit suicide or a protesting prisoner who must be force fed. What is good or bad depends on circumstances that must be evaluated by the individual himself. The value of society depends upon the decentralization of power down to the individuals who comprise it so that they can always say “no.”  
  
Crypto provides a new freedom strategy that avoids many of the disadvantages of open disobedience or literally dropping out; it offers a peaceful revolution based on self-interest which bypasses the state rather than confront it. People can say “no” to intolerable aspects of society, such as the monetary monopoly, while physically remaining connected with the rest.  
  
To many, a peaceful revolution sounds like a contradiction in terms. Confusion surrounds the issue of revolution because it has been so badly portrayed in political science and badly acted out in reality. Barricaded streets, people rampaging, cars on fire, clashes with the military, tear gas, smashed windows of looted stores…that is not revolution. True change comes from the hearts and minds of people when they embrace a new idea, a new vision. True revolution is not rage and despair; it is hope and realization.  
  
[John Adams wrote to Thomas Jefferson](https://founders.archives.gov/documents/Jefferson/03-08-02-0560) about the American Revolution. “What do We mean by the Revolution? The War? That was no part of the Revolution. It was only an Effect and Consequence of it. The Revolution was in the Minds of the People, and this was effected, from 1760 to 1775, in the course of fifteen Years before a drop of blood was drawn at Lexington.” Adams explained where the American Revolution could be found. “The Records of thirteen [Colonial]  
  
Legislatures, the Pamphlets, Newspapers in all the Colonies ought be consulted, during that Period…” For fifteen years prior to the uprising, speakers and writers had been incessantly educating the public about their natural rights and the common law. That was the true American Revolution.  
  
A social revolution is nothing more than a fundamental change across a society that shifts power from one group or class to another. True revolution occurs only after the intellectual groundwork has been laid to change the hearts and minds of a sufficiently significant portion of the population; some estimate that the portion needs to be no more than 10%. If the intellectual groundwork has not been laid, then the violent eruptions inevitably become coups, with a new group of elites replacing the old group. As long as it is politically led, revolution will devolve to “new boss, same as the old boss.” Individuals will not empowered.  
  
A revolution of and for average people means the shift in power is decentralized from the elites down to the individual level. Violence only interferes with this process. It is tempting to speculate what would have happened if the intellectual revolution in the American colonies had not been interrupted by violence. The true revolution referenced by Adams was slowly winning the loyalty of average people, and it might have produced a non-violent overthrow of the British yoke. What would America now look like if it had not been born in blood? Fortunately, its true birth was in newsprint, which may account for why it ended better than the French Revolution.  
  
The quiet explosion caused by [Satoshi in 2008](https://www.bitcoin.com/guides/bitcoin-white-paper-beginner-guide) was “a revolution*”* because it overturned the reality of statist financial control and decentralized power downward from the government to the average person. Those who call Bitcoin revolutionary, however, are dismissed as being hyperbolic because the crypto eruption does not conform to the images of barricaded streets and people screaming “Pig of a Government!” The pioneers of crypto do not resemble gun- toting jungle-slogging revolutionaries in the mold of Che Guevara. Satoshi himself remains anonymous, and this is unheard of for a revolutionary leader. But Bitcoin breaks with convention in many ways. It was an unassuming, unpretentious revolution in which no blood was shed. The area of life it threw into turmoil was finance—also known as “filthy lucre”—and **that** is rarely considered to be a noble cause that deserves a revolution. Shouldn’t a self-respecting banner read “FREEDOM, JUSTICE” instead of “PRIVATE MONEY”  
  
It does because financial independence *is* freedom and justice. The ability of people to make and keep the wealth they earn is how they feed their children and pursue dreams; it is how they rise from starvation to well-being; wealth allows people to own the land they walk on; filthy lucre turns an assembly of strangers into a civil society that trades with each other rather than makes war. Money is the engine of civilization itself because freedom of speech, art, literature, and the other amazing human accomplishments only follow in the wake of people being able to feed themselves.  
  
The Satoshi revolution is one of rising expectations, which became possible through the decentralization of economic control that crypto forged. It is a revolution of average people who now have a viable alternative to oppressive fiat and central banks.  
  
“The revolution of rising expectations” refers to a situation in which even a slight increase in prosperity and freedom leads average people to believe they can improve their lives through their own efforts. This belief makes them demand political and economic changes that bring more freedom and more prosperity. The average person is not a freedom fighter, and their demand for change doesn’t hinge on ideology. It hinges on self-interest. They want a better life for themselves and for their children. For *that*, they are willing to fight, especially in a nonviolent manner.  
  
The phrase “revolution of rising expectations” emerged after World War II had destabilized the power structure of the world. Former colonies from the Far East to Latin America and Africa threw off imperialism and despotism because average people glimpsed the possibility of finally achieving more freedom and prosperity.  
  
The advent of crypto has destabilized the financial power structure of the world, and it is causing another second revolution of rising expectations. It does not occur on the national level—crypto recognizes no borders—but within the lives of individuals, who can finally control their own finances in privacy and without permission. This has deep political implications, of course, because independent people are far less likely to obey.  
  
Every successful revolution must answer, “What is the end point?” If there is no good answer, then a bad system will be replaced by another bad system that rushes into the void. The French Revolution overturned a corrupt monarchy only to see it replaced by a “Committee of Public Safety” that instituted what is called the “Reign of Terror.” The Satoshi revolution must answer, “What is the end point?” Gandhi said, “the means are the ends in progress.” Decentralization is the means. Decentralization is the end in progress: the total empowerment of individuals.  
  
**Anarchism, the End Point of Decentralization**  
  
Man is born free, but everywhere he is in chains.—Jean Jacques Rousseau  
  
So much confusion and slander surrounds the term “anarchism” that it is useful to introduce the concept through an explanation of what it is not.  
  
• Anarchism is not violence. Most traditions are explicitly peaceful. The nonviolent anarchism of Henry David Thoreau and Mahatma Gandhi are  
  
examples.  
  
• Anarchism is not chaos. It means “without the state,” not without order. • Anarchism is not pacifism. A few forms, like the Christian-anarchism promoted by Leo Tolstoy, hold pacifism as a central tenet, but most  
  
traditions fully recognize the right to use force in self-defense.  
  
• Anarchism is not inherently left wing. Left-wing anarchism has received the bulk of historical attention, but the first American anarchist was the  
  
libertarian Josiah Warren (1798–1874).  
  
• Anarchism is not an impractical ideal. It is a realistic approach to living within society without sacrificing individuality.  
  
If that's what anarchism is not, then what *is* it? Simply stated, anarchism means “without the state.”  
  
What is the state? It is the institution that claims jurisdiction over a given territory and a monopoly on the use of force. The state is institutionalized force that requires obedience from the people living within this territory. Anarchism looks at the state and does not see services for which people pay in taxes. What passes for services are monopoles sustained by theft and force.  
  
One of the easiest ways to grasp how anarchism functions is to realize that it is how most people conduct their daily lives. They live without the state without realizing it. Anarchism is how they function with family, friends, business associates, and even strangers. When a person wakes up in the morning, no law forces him to feed his children breakfast rather than starve them or to kiss his partner “hello” rather than beat her. When he carpools with associates to work, there is no policeman present to prevent him from picking their pockets or punching them in the nose. As he moves through the day, no bureaucrat hovers nearby to make sure he pays for a cup of coffee or contributes in his fair share of the lunch tab. As the man walks down the street, he doesn't attack random strangers or pull a woman into the alley to molest. When a stranger begins to step off the curb into oncoming traffic, he reaches out a quick hand to restrain the person.  
  
It is not government that makes people act with habitual decency. It is civil society, family, and the bonds of humanity that does so. Civil society is naturally peaceful because it consists of voluntary exchanges rather than coerced ones. It is from civil society that men acquire the habits and rewards of cooperation. Otherwise stated, most individuals already deal with each other in their daily lives as though they all live under anarchy.  
  
It is the state and other criminals that introduce force into daily life. The state arrives in the form of monopoly law enforced at the point of a gun. The state tells a person, “you cannot open a business because it would compete with us or with a state-favored corporation”. It says “your property is not yours to use but ours to administer, tax, and confiscate if you refuse to obey.” The state steals a person's earnings to support its own ventures, even ones that repulse him, such as war; it declares, “your money is ours to spend as **we** choose, and your conscience does not matter.” The state requires obedience to a myriad of nanny laws that trivialize an individual's alleged right to choose, down to what type of straw he can use to drink a soda. The state claims, “you are mine to command.”  
  
By contrast, anarchists tell peaceful people: “open any business you wish”; “your  
  
property is yours”; “your money and soul are your own”; and “the state has no authority over you.”  
  
If the foregoing does not sound like the anarchism that is usually discussed, it is because there are different traditions of anarchism, and the loudest, most violent ones receive the most attention. The various forms of anarchism include individualist-anarchism, communist-anarchism, socialist-anarchism, mutualist- anarchism, Christian-anarchism, anarcho-syndicalism, and anarcho-capitalism. What unites them all? What separates them?  
  
Traditions within anarchism agree that the state is an institution of organized force and undesirable; that's what unites the hyphenated anarchisms—a rejection of the state as institutionalized violence. Where they disagree, however is on what constitutes violence and how a society without it would function.  
  
Contrast the approaches of communist- and individualist-anarchisms.  
  
Communism views laissez-faire capitalism as a form of theft which is a form of violence. One reason is “surplus value.” Popularized by Karl Marx, this concept refers to the value allegedly created by workers that is in excess of the costs of their labor and of production. Simplistically stated: A factory worker earns $1 an hour and uses raw material that costs $1 to produce a good that sells for $10. According to Marx, a surplus value of $8 has been created by the worker who is the rightful owner of this amount. The surplus value is pocketed by the capitalist factory owner in an act of theft. The capitalist is able to steal the $8 because he owns the means of production which is protected by the muscle of the state. Thus capitalism is irrevocably entangled with the exploitation of workers and the violation of their rights. To leftists, anarchism is necessarily both anti-statist and anti-capitalist because both are forms of violence.  
  
Individualist-anarchism challenges this interpretation. It looks at the same factory worker and owner, and it sees a consensual relationship by which the worker is paid a wage to which both have agreed and from which both benefit. The so- called surplus value or profit that the capitalist receives is in exchange for the risks of doing business, overhead, a continuing investment of capital, marketing, and his own time. No force or fraud is present. As long as the state does not promote the capitalist's profit by doing anything other than enforcing property rights—for example, it does not grant him a monopoly—then no force or fraud is present due to the state either. The factory expresses only the free market and voluntary exchange.  
  
If the state does intervene by passing laws that favor or harm the business, then the arrangement ceases to be free market or laissez-faire capitalism and becomes crony capitalism; this is an arrangement in which the state and some businesses align to their mutual advantage and to the disadvantage of everyone else. The ones who suffer most are workers, competing businesses- and consumers. To individualist-anarchists, anarchism is anti-state and anti-state cronies. It is pro- free market and capitalistic.  
  
The profound disagreement over the free market has implications for key concepts used by both forms of anarchism. For example, communist- and individualist-anarchism define “class” and class affiliation in dramatically different ways. Communist-anarchism defines a person's class affiliation by reference to his relationship to the means of production. He is either a worker or a capitalist; he is either exploited or an exploiter. The two classes are locked in irresolvable class warfare.  
  
By contrast, individualist-anarchism defines class affiliation with reference to a person's relationship to state power; he either cooperates with others on a voluntary basis (society) or he uses force (the state). He is a productive member of society or he is a criminal. Individualist-anarchists view the two classes—society and the state – to be locked in irresolvable class warfare.  
  
In summary: Although all forms of anarchism reject the state as organized violence, some forms of anarchism profoundly disagree on what constitutes violence.  
  
**What is Individualist or Libertarian-Anarchism?**  
  
This brings us to Anarchism, which may be described as the doctrine that all the affairs of men should be managed by individuals or voluntary associations, and that the State should be abolished. When Warren and Proudhon, in prosecuting their search for justice to labor, came face to face with the obstacle of class monopolies, they saw that these monopolies rested upon Authority, and concluded that the thing to be done was, not to strengthen this Authority and thus make monopoly universal, but to utterly uproot Authority and give full sway to the opposite principle, Liberty, by making competition, the antithesis of monopoly, universal.― Benjamin R. Tucker  
  
Those who call themselves individualist- or libertarian-anarchists do not agree on all aspects of theory. After all, they are anarchists. The foregoing is the dominant view, however.  
  
Individualist-anarchism is usually based on Natural Law from which natural or individual rights arise. The word “Law” is not used in a legal or legislative sense. It refers to a principle or a governing rule, such as the laws of physics. “Natural” means the law is based upon the facts of reality and upon man's nature. In its simplest form, the version of Natural Law used by individualist-anarchism is an attempt to ground human values in the facts of reality and of human nature.  
  
Otherwise stated: Given what we know about reality and about human nature, is it possible to reason out rules of behavior that maximize the well-being of human beings? Individualist-anarchism answers “yes!,” and it turns to the concept of natural or individual rights. It asks, “who owns the individual?” As previously discussed, there are only three possible answers: the individual does (personal  
  
freedom), someone or something else does (slavery), or he is unclaimed property. Individualist-anarchism argues strongly in favor of the first position.  
  
A person's claim to his own body is described with different terms, including “sovereignty of the individual,” “self-ownership,” “autonomy,” “self- proprietorship,” and “individual rights.” But to claim his birthright of freedom, every man must respect the equal freedom of others. If he initiates force, then his actions constitute a statement that he does not consider freedom to be his birthright or any right at all. Rights are either universal—they exist to the same degree within each human being—or they are not based on human nature at all. It is this duty to respect the rights of others that an individual carries with him into society.  
  
Rights and duties are the tools by which society resolves conflict and avoids violence. The 19th-century individualist Benjamin R. Tucker uses this approach while speculating about the nature of property. Tucker believes ideas arose only because they serve a need or answer a question. To illustrate his point, Tucker asks readers to imagine a universe that is parallel to our own but which runs along different rules. The inhabitants could satisfy their needs simply by wishing for goods. Food magically appears in their hands, clothes miraculously drapes their limbs, and a bed pops into existence under their tired bodies. It is unlikely that this parallel society will come up with the concept of private property. Why?  
  
Tucker asks, “What is it about the reality of our own world and the nature of man that gives rise to the concept of property in the first place?” He concludes that the idea of property arises as a way to resolve conflicts caused by scarcity. In the real universe almost all goods are scarce, and this leads to competition for their use. Since the same chair cannot be used in the same manner at the same time by two individuals, it is necessary to determine who should use the chair. The concept of property resolves that social problem. The owner of the chair should determine its use. “If it were possible,” writes Tucker, “and if it had always been possible, for an unlimited number of individuals to use to an unlimited extent and in an unlimited number of places the same concrete thing at the same time, there would never have been any such thing as the institution of property.”  
  
However rights, duties, and property are derived—from natural law or utilitarianism—they are the context that individuals bring with them when they enter society.  
  
**A Nod to Henry David Thoreau**  
  
Few philosophers have worn self-empowerment as gracefully as the 19th -century American Henry David Thoreau. He had good reason to ask himself, “How does an individual deal with morally intrusive government?” His solution is simple; throw government out of your life and never look back. That’s what Thoreau did in real life.  
  
Thoreau’s most famous political tract is *Civil Disobedience.* It was his response to a 1846 overnight imprisonment for refusing to pay a tax that violated his conscience. A famous and perhaps anecdotal exchange occurred while he was imprisoned. Ralph Waldo Emerson visited and urged him to pay a fine so he would be released.  
  
Emerson asks, “Henry, what are you doing in there?”  
  
Thoreau replies, “Waldo, the question is what are you doing out there?”  
  
Thoreau was not embittered by his brief imprisonment. Near the end of his life, he was asked, “Have you made your peace with God?” He answered, “I have never quarreled with him.” For Thoreau that would have been the real cost of paying the tax; it would have meant quarreling with his own conscience, which was akin to quarreling with God.  
  
*Civil Disobedience* ends on a happy note. After Thoreau’s release from jail, the children of his hometown pleaded with him to join a hunt for huckleberries. Huckleberrying was one of Thoreau’s valued pastimes, and his skill at locating fruit-laden bushes made him a favorite with children. He ends his chronicle of imprisonment with the words, “I joined a huckleberry party, who were impatient to put themselves under my conduct; and in half an hour…was in the midst of a huckleberry field, on one of our highest hills, two miles off, and then the State was nowhere to be seen.”  
  
The State was nowhere to be seen. This is the legacy of Thoreau and Satoshi for those who wish to grasp it: for those who are willing to cast it off and not look back, the State will be nowhere to be seen. Thoreau, in his joy of running with all the other children, knew his imprisonment was not his reality. Huckleberry hunting was his reality.  
  
What is left when there is no state? Individuals and society.