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# The State as Sole Capitalist

Toward a Clearer System of Political Taxonomy

David S. D'Amato

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In a 1990 article in *Dissent*, Stephen Jay Gould wrote,

[M]istaking names for moral principles, and using banners and slogans as substitutes for reason, we vow to live or die for one or the other side of a false dichotomy. . . . But when humans struggle with other humans, the boundaries are almost always fluid and largely arbitrary (or at least a curious result of very recent historical contingencies). If we are so prepared to base our struggles on group identification, we should at least try to understand (and maybe even to improve) our methods of classification.

If we're going to draw battle lines and pick and choose among the various -isms we've invented, we have some responsibility to at least understand that which we favor and that which we oppose. Yet the methods of classification we've developed alongside our -isms seem almost deliberately confusing. On big, important questions, we're still using a language and a system of categories

that does not reflect history and enables a stunted way of thinking about the role of important institutions in society. The left-right-style political paradigm is confusing and lacking in genuine explanatory power because—among other things—it suggests to people (if indeed it doesn't dictate to them) that they can only choose one to oppose: the state or capital, where once they make their choice, they should then start making contorted apologies for the other. The state and capital, those giant meta-institutions of the modern (and particularly the post-industrialization) world are arrayed as belligerents, the existence of one limiting the power of the other. To say that this picture contradicts history is to indulge in an understatement of the most absurd kind, for the state and capital as we know them grew and consolidated their power in tandem. In characterizing the modern state's unique, "privileged place" as "as the embodiment of political sovereignty," historian Mathias Hein Jessen sees it as the "*universal corporation*," the notion of sovereignty requiring it to "constitute all other corporations and corporate bodies as *subordinate to* and *dependent upon* its power." If the modern state is the universal corporation, then state power is a kind of corporate power; corporate power, in turn, is an extension of state power and always has been—indeed it was invented to be just that.

As a corporation and a monopoly, the modern state would seem to be just the kind of entity that should worry those concerned about the mechanisms of concentrated power, hierarchy, and exploitation. Professor Jessen also helpfully notes that in its medieval and early-modern history, the corporate form was used for commercial ends only very infrequently; instead, corporations were created primarily "for a wide variety of government ends." This fact is important in that it can help us think more clearly and precisely in our institutional analyses, reminding us to avoid relying on bad heuristics. One such unhelpful shortcut is familiar to students of political theory: if corporations abuse their power, act irresponsibly or destructively, or exploit people, then we can set the

compatible with the general principles of individual liberty. Even if this is true, it is nevertheless also the case that *any* end state contemplated by the anti-monopoly school would be incompatible with state socialism. This anti-monopoly wing of the broad socialist movement was more scrupulous in its applications of the behavioral symmetry, believing that people are people and thus that merely calling an all-powerful monopoly a government rather than a corporation (which, as we've seen, is not strictly accurate in any case) doesn't do any real work to solve the social problem. The anti-monopoly school was interested in a comprehensive analysis of *institutions and incentives*, in a sophisticated, workable approach to class warfare. As the libertarian, labor activist, feminist, and publisher William B. Greene writes:

"The General Statutes" of the Working-People's Association make little, if any, reference, either to profits, or to the fact of wages: they declare no vain war against poverty in the abstract; neither do they denounce capital or the capitalists. They simply denounce that "*subjection of the workingman to capital . . .*"

A class-consciousness of this kind—systematic, analytical, decentralist—is of continuing value to libertarians, even if the word "socialism" is of no use to us now.

time and use more words to explain to each other what we mean. It is this explaining and, through the exchange, identifying the points of *genuine* disagreement, then working on *those* together, that are the whole project of political philosophy. Ostrom notes that the concept of polycentricity, as introduced by her husband Vincent Ostrom, Charles Tiebout, and Robert Warren, gives us much more versatile and accurate language for describing the ways in which formally independent bodies may come together to form an effective system that is impossible to describe as either of the twentieth century's "two models of optimal organizational form," the market and the state. Discussing political and economic questions in this oversimplified way is not likely to yield fruit.

Socialism's tragic association with the total state led to poverty, famine and mass murder, always apparently necessary to the accomplishment of the workers' revolution. But what if we could begin socialism anew by returning it to its roots as a critique of power and privilege, and by restoring some of its lost libertarian character. Then socialism could be a posture toward power, a complex of ideas applied to social questions with the aim of actively creating ways of living that dignify the individual. George believed that socialism and individualism were complementary, that both groups had forgotten or ignored the best insights of the other, a basic insight that Georgism shares with mutualism and individualist anarchism. To the government-monopoly school of socialism we may contrast this anti-monopoly school, which hoped to realize socialism's goals by way of political and economic decentralization and an end to all forms of anti-competitive privilege. The two schools could hardly be more different. In fact, merely to say that they share a common end goal is itself potentially misleading, for while both groups share an opposition to capitalism, their end-state social and economic systems appear almost as opposites. Here, some more ecumenical anarchists and libertarians may object that they have no end-state system in mind, that there may be an endless number of social and economic experiments

state to regulating them. If the state is just another giant corporate monopoly, though, it becomes rather more difficult to accept this kind of shortcut, at least without a much more probing consideration of the rules and incentives that actually govern the system. And those rules and incentives are what we ought to be thinking about in our attempts to determine what kinds of institutions are well calculated to achieve desired outcomes (whatever those may be). It is not clear why the state, the most powerful of all corporate bodies and, by definition, the creator and charterer of all other corporations that exist, would choose to place restraints upon either itself or those subordinates. If we're taking this kind of self-restraint for granted, then we don't have a problem at all, no social question of predation or exploitation, and thus no need for the state to intervene on behalf of the workers. This is a serious and underappreciated problem for those who want to use monopoly power to tame the excesses of monopoly power, for example, socialists of what we may call the government-monopoly school. As Henry George put it, socialists of the government-monopoly school "essay to cut a knot they do not see how to unravel, by making the State the sole capitalist and employer, and abolishing competition." The frequency with which this idea—that the ultimate goal of socialism is to make the state "the sole capitalist"—is worthy of attention. Around the turn of the century, both socialists and their critics employed the idea and some version of the phrase itself often. Socialists, we must assume, saw no contradiction in the idea even as they bemoaned the concentration of wealth in the hands of the capitalists.

The socialist organizer Charles H. Vail wrote accurately when he explained the fulfillment of socialism: "Trusts must combine into one great trust, the Nation." The economist E.C.K. Gonner states similarly that "[t]he State would be the Capitalist, and its monopoly of capital would be absolute." John Zube writes, "State socialism is monopoly capitalism at its worst." At the risk of belaboring the point, Kropotkin observed that the socialists looked

upon the great trusts of the Gilded Age “as a step forward preparing the advent of the state as lone capitalist.” Everywhere it was recognized—both by socialists and their opponents—that the end socialists had in sight was something like the consummation of monopoly capitalism. This is, perhaps, a jarring realization given what we’re supposed to believe about the political teams and terms in popular use today. Why would the ideological enemies of concentrated capital, who believed that this very concentration allowed the exploitation of labor, go in for perfectly unified economic power? Socialism attempts to treat the symptoms of monopoly with more powerful and concentrated monopoly. It is remarkable, then, to observe that socialists were wont to name their political enemies “the friends of monopoly.” After all, state socialists trumpet the ultimate monopoly, the source of all lesser monopolies. On this, the relationship between government and monopoly power, Kropotkin writes, “It is precisely the state, the would-be benefactor, that has given to the companies that monopoly and those rights upon us which they possess today.” Though an opponent of capitalism and private property, Kropotkin saw these commitments as perfectly consistent with, even resulting from, his opposition to monopoly power and the oppression and exploitation created by its existence. Offering a critique of bureaucracy, of the departments and ministries thought to be necessary to govern the affairs of men, Kropotkin argued that societies of free and equal people could govern themselves. Friedrich Hayek, too, observed that while social reformers seemed to like the idea of “the delegation of planning to organized industries,” this is only monopoly by another name, monopoly made a system. As a practical matter, socialism just means monopoly; its whole gospel is consolidation and control, the forbidding of competition, the ultimate culmination of the workers’ revolution: a world in which ordinary individuals (like workers, as it happens) cannot own private property.

The noted Marxist Erwin Marquit, summarizing Vladimir Lenin’s view, remarks that socialism is “monopoly capitalism put in service of the people.” The problem for the government-monopoly school of socialism (which is to say almost all of socialism today) arises from the “in service of the people” component of the definition. It is not at all clear why socialism’s perfection of monopoly capitalism should suddenly serve the people, as though some previously unknown, post-revolution, next version of humankind will be able to escape the incentive issues at play. The distributist writer Hilaire Belloc was far too discerning a student of human behavior and human institutions to endorse the socialist dream of making the state the sole capitalist. Anticipating contemporary public choice theory’s “politics without romance,” he noted that the people running the state would have “to be absolutely just (although there is no one to force them to be just),” and that they would have “to forget all personal wishes and to think of nothing but the good of those whose labour they direct and among whom they share out the wealth that is produced.” Here, the state is idealized, removed from the assumptions we ordinarily make about human beings; by abandoning the rigor of applying the principle of behavioral symmetry, we engage a bad heuristic, one that doesn’t actually help us solve our original problem. We pretend that people will behave differently if only we call them the state. But whatever we may call any of our organizations and institutions, and however we may categorize them, the analytical regress hits rock bottom in human beings and their behaviors; those *behaviors* are the true thing of import, the object of study, not whether we call a given corporate body “private” or “public.” As the work of the great Nobel-winning economist Elinor Ostrom teaches, we must look beyond markets and states, finding new ways to “explain phenomena that do not fit in a dichotomous world of ‘the market’ and ‘the state.’” If our concepts and categories are more confusing than they are clarifying, then we should cast them off, even if it means we’ll have to spend more