

Sovereignty without Territory, Emigration without Movement: The Panarchist Solution

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Emigration as a political and ethical problem is founded on the association of political organizations, states, with geographical entities, territories, mediated by a concept of sovereignty. I argue that this association is not necessary: It is possible to have non-territorial states that are not linked through sovereignty to a territory. Physical migration ceases then to be a political problem and becomes a phenomenon of human geography, and vice-versa, people can change their political affiliations, their citizenship, without having to change their domicile.

In the history of political thought, the concept of sovereignty, linking the state with a territory, is a relative late-comer, introduced at the end of the religious wars of the 17th century in the Westphalian Order. Prior to the 17th century the relation between a sovereign like a king and a territory was far more fluid and flexible than it is today. The proposal to decouple territory from the state was broached probably for the first time in 1860 by the Belgium thinker Paul Emile de Puydt who named his position *Panarchy*. The idea is that the relation between individuals and states should be formalized in explicit contracts, a constitution, that both sign voluntarily. States would become then as non-territorial as insurance or credit card companies. They would compete against each other over service and price just like companies do. Obviously, Paul Emile de Puydt had Belgium's ethnic complexity in mind, but the idea can work just as well with far more geographically extensive and complex migrations today. Panarchy also offers greater freedom than either sovereign states or anarchist non-states. Sovereign states force themselves on the denizens of a territory. In an anarchist social world, individuals who wish to form a state or associate themselves with one, would have to be coerced to cease and desist their attempts to form states. In a panarchist world, individuals would have the freedom to join or not a state and to choose which state they wish to be associated with, or create their own state. It offers the widest scope of political freedom. (For a collection of Panarchist texts, see the website <http://www.panarchy.org/> maintained by Gian Piero de Bellis).

Admittedly, this is a radical idea. However, the technological and economic changes that we associate with globalization are bringing the world willy-nilly closer to panarchy. How we live depends today increasingly on our interactions with global corporations and supra-national NGOs and political organizations like the EU. The globalization of the job market has caused people of different citizenships to live as neighbors, especially in the great cities of the world. I suggest it is time that political philosophy and theory catch up with this reality and that the Panarchist tradition of political thought may be useful in this task.

Introduction

Panarchy means that people and states negotiate the relationships between them, just as sellers and buyers do, formalize them in explicit social contracts and enjoy similar rationalizing effects. Different states may offer varying levels of services in areas such as health, education, and unemployment insurance for different prices. Flexible consumer mobility from state to state is a

necessary condition for the possibility of a free political market. I argue that non-territorial states that provide services to citizens instead of rule a territory are political firms that can compete over customers in a political market. The right of such states to coerce their clients differentiates them from mere protective associations. I will demonstrate why political free competition necessitates non-territorial states, based on explicit social contracts (law codes) rather than on monopoly over territory (sovereignty), on the service of citizens rather than on the rule of territory.

Robert Nozick developed a similar but crucially different "framework for utopia," conditions of free competition that allow the best "utopian" political communities to emerge and develop creatively and voluntarily (Nozick, 302). I will demonstrate that Nozick's framework is an incomplete and partially mistaken view of implementing a free market model in politics. Nozick's greatest fallacy is in defining the state territorially. Still, I agree with Nozick on the following assumptions: Though all states must satisfy certain basic necessary requirements like protection against force, collection and disposal of funds and adjudication of disputes, there is no one and only "best state" that fulfills all these functions optimally and identically under different circumstances and further meets the requirements of different people with different needs, values, ideas, and tastes. There may be many rational best states built on a plurality of circumstances, needs and personal values (Nozick, 309-312). Rational political agents may agree in hindsight which states were the worst. But when it comes to characterizing the best state, there are radical disagreements. Divergent views stem partly from the limitations of theoretical discourse. The ultimate test of states is practical, as the test of the pudding is the taste. Historical-political experience and practice change values and views. A state model that seemed the best for good reasons may be found to be less than desirable after experiencing it in practice.

Moreover, the very idea of a design of a state that can be implemented from the top down is self-defeating: The attempt of a political power to impose a single all encompassing design against the creative plurality of personal conflicting views, ideas, interests and values necessitates the use of coercive force that is not precalculated in the original design. Therefore the best states are likely to emerge spontaneously (Nozick, 313-314). Nozick argues convincingly that instead of designing a definite "best state," political philosophy should explicate the conditions under which the choices of rational persons may result in the spontaneous emergence of a plurality of what they would consider as best states. Politics may parallel economics in this respect. There is no design of a best firm that fits all economic agents and circumstances. It is impossible to enforce from above an economic structure against the voluntary multiple creative powers and conflicting talents and ideas of economic agents. It is only possible to set necessary conditions for the spontaneous emergence of the best economic organizations as results of the choices of individual rational agents. Accordingly, our task is to understand the conditions of free competition between political systems. Such conditions may encourage the emergence of the best states, as free economic competition stimulates the development of the best firms.

Political Free Competition

Conditions of political free competition between non-territorial states are best understood in the tradition of social contract theories. The relations between free political agents and states under conditions of free competition are based on an explicit, voluntary, and limited social contract: Political agents choose among many state organizations according to their social contracts (law codes) and their reputations for good service. Political agents literally sign a social contract with a state for a duration. Citizens may change their state, just as customers can change their

insurance policies. As much as one person may purchase insurance policies from more than one insurance company, so can a person be a citizen of more than one state (though it may be expensive). States are then based on social contracts instead of sovereignty, service to citizens instead of monopoly over the use of violence in a territory.

Under conditions of free political competition, signing a social contract is voluntary: States offer social contracts in the form of law codes, much like insurance companies offer insurance policies. Persons and states are not forced to commit themselves to a social contract they did not sign or see, compose and agreed to in the first place. Indeed, nobody is forced to sign any social contract at all. Unlike in Rawls's failure of imagination according to which "No society can, of course, be a scheme of cooperation which men enter voluntarily in a literal sense" (Rawls, 13), [1] voluntary social contracts omit the "original-sin-like" character of social contracts that are accepted "once and for all" either in a mythical or hypothetico-metaphysical situation. If social contracts are voluntary and explicit, they can have a limited duration. Political mistakes and experiments become reversible. The state bases its right to coerce its citizens on an explicit contract, a law code, that specifies the conditions of permissible coercion. A citizen who signed a contract with a state that has capital punishment may wish he or she had chosen otherwise when convicted of a capital offence, but the state bases its coercion on the original agreement, the signature on the social contract.

This social contract theory in conditions of free competition has significant advantages when compared to previous social contract theories (Hobbes's *Leviathan*, Locke's *Second Treatise of Government*, Kant's *The Foundations of the Metaphysics of Morals*, Rousseau's *The Social Contract*, Rawls's *A Theory of Justice*, and Nozick's *Anarchy, State, and Utopia*): It is neither mythical nor hypothetical, but explicit and actual, voluntary and reversible. It is unnecessary to hypothesize an all important original agreement in a hypothetical initial situation based on what rational and free persons would have accepted as the fundamental principles of their association, had they been in that situation irrespective of their different values and tastes, a matter of metaphysical speculation.

Conditions of free competition between states allow free political agents to make political mistakes. They may sign a social contract with a state for a duration, and, if they change their mind, they can change their state and sign a new social contract with another state when the contract expires, or in extreme circumstances (on the way to the gallows), take the risk of breaking the contract, and hope that their new state will protect them from the coercive sanctions of the previous state. The explicit, voluntary, and reversible nature of social contracts in political free competition creates optimal conditions for the use of reason and creativity for the founding of best states. In free political competition, the incentive for political improvement comes from the competition among states over citizens-customers. The best states serve as means for the purposes of their citizens. If they do not do so efficiently, they perish.

State competitiveness may be in the kinds of social contracts offered and in state management. It is conceivable that one state may offer several different social contracts, just as insurance companies offer several different levels of insurance. Welfare social contracts and state models may be expensive but provide extensive safety nets. More libertarian social contracts may be more affordable, but offer less. Each political free agent may sign voluntarily a contract with a state that fits that person's needs, values, abilities, circumstances, etc. In free competition, states that have uncompetitive social contracts, or whose management is corrupt or incompetent, literally go bankrupt. Failed states may be taken over by more successful ones, by states that wish to save a reformed version of the unsuccessful state (white knights in economic jargon), or

disperse themselves, just as corporations do. Enterprising creative new states, adapted to changing needs and circumstances, would constantly appear.

Some libertarians and anarchists suggest that in a universal free market the state is redundant. People can just purchase from various firms the services that single states provide today (Rothbard, Sanders). But economically it is more efficient for a single firm to supply groups of related services; it saves time and hassle for the consumer to be able to buy all services at once. For example, some people like to save money and time by purchasing package tours and fixed menu meals. Others prefer to plan their own vacation and order meals a la carte even if it is more expensive. But there are no restaurants where the soup is bought from one firm, the drinks from another, the entree from yet another and the dessert from a shop across the street. Though this is possible, it wastes too much in time and transaction costs for the customer and leaves a very thin margin of profit for the firms. The best states offer a via media between the present international system of nation states, and the anarchist rejection of states.

The Advantages of Panarchy

Political free competition has several advantages over democratic territorial monopolies (let alone non-democratic regimes). In the democratic process the interests of minorities may be compromised if the laws do not protect them and they are not well-organized. Traditional democracies are usually based on a wide consensus, and elections decide only a few controversial issues. Still, some small segments of the population may be outside the consensus and require special state-services. Even those within the consensus may be better served by a state custom-tailored for their needs. For example, an American who wishes to live securely in a Scandinavian-like extensive welfare system and is ready to pay the price knows that her chances of living in her preferred state are negligible. It is unlikely that Americans will ever vote a Social-Democratic president and our American may not know Swedish, have problems immigrating to Sweden according to Swedish laws, and have family and professional obligations in the U.S. Conversely, a Swedish libertarian who values free enterprise and a minimal state knows that his chances of enjoying the kind of political system he favors in Sweden are negligible. In political free competition residence becomes inconsequential for political affiliation and services. States serve their citizens rather than rule a territory.

Singer suggested that in Nozick's utopian framework, rich people will have an incentive to leave communities that have extensive redistribution systems, while prosperous communities are likely to turn away poorer applicants who wish to join them (Singer, 1982). These political behavior patterns happen in the present system of sovereign states when rich people seek tax shelters and poorer folks are refused the right to immigrate to wealthy social democracies. In a free political market, though, the rich have an interest to contract the kind of states that serve the poor: states that offer basic services and cost little. The rich do not need many services and the poor cannot afford them. The middle-class is likely to contract expensive states with a wider choice of services. Just as at present, we can expect a degree of redistribution from richer states to poorer ones and within poorer states on the basis of patronage. The result of competition among states is not likely to be homogenization in the types of states offered, as Singer fears, but the filtering out of states that are inefficient. A state that attempts to live beyond its means should be out of business.

A free political market is likely to have positive collateral effects on the world economy. It is likely to open the globe to rational distribution of human resources. Under free political competition, people can move around the globe according to their economic interests, following opportunities, jobs, capital, and resources. Customers of political territorial monopolies fear

increased pressure on the limited production abilities of nation-states (government services and welfare systems). This encourages xenophobia and racism to legitimize immigration limitations. It is no coincidence that the more extensive the welfare services are, the greater is the tendency to impose immigration restrictions, and vice-versa. Where free political competition holds, geographical mobility is disconnected from political affiliation. Rational persons may benefit from geographical relocation following greater economic opportunities. A natural "human osmosis" would rationally redistribute persons around the globe. Diligent and entrepreneurial Mexicans and Chinese may rebuild America's infrastructure; unemployed American engineers, miners, and oil-workers may get rich developing the immense natural resources of Siberia;

When political disagreements among states are great enough, they may resort to violent resolutions. Wars must take a funny shape in a political world founded on free competition between states. Since citizens of different states live side by side, without territorial distinctions, it is practically impossible to conduct wars of mass destruction. Weapons of mass destruction cannot possibly discriminate between the target citizens, citizens of neutral states, or for that matter, citizens of the aggressive state itself who live together. A war using light weapons, from house to house, cannot be as simple as Lebanon or Yugoslavia because the citizenry of states that are based on explicit social contracts have no ethnic, linguistic, or otherwise physically discernible common characteristic. Further, hostilities between two states in a neighborhood where citizens of many other states live must be precise and careful not to hurt them for fear of involving their states on the opposing side (try to imagine what would happen if two insurance companies started a war in a neighborhood where people who are insured by a dozen other insurance companies live). States that are not involved directly in a conflict would still have an interest to intervene to end the conflict to prevent collateral damage to their own citizens. Lastly, since each person may change citizenship often through life, some of the fanaticism that dominates a system based on territorial monopolies may disappear. Citizens who disagree with a senseless war may simply sign a new contract with a neutral state. The majority of states under conditions of free competition are likely to reach some kind of peaceful arbitration. Wars become so difficult; the accountability of governments to their citizens so much greater; and states have a much greater incentive to attempt to find non-violent solutions to their problems.

Friedman and Rothbard assumed that to achieve these benefits, it is necessary to abolish the state altogether. Friedman makes this point regarding private defence firms very eloquently:

An agency which settles its disputes on the battlefield has already lost, however many battles it wins. Battles are expensive.... The clients will find a less flamboyant protector. No clients means no money to pay the troops.

Perhaps the best way to see why [the free market] would be so much more peaceful than our present system is by analogy. Consider our world as it would be if the cost of moving from one country to another were zero. Everyone lives in a housetrailer and speaks the same language. One day, the president of France announces that because of troubles with neighboring countries, new military taxes are being levied and conscription will begin shortly. The next morning the president of France finds himself ruling a peaceful but empty landscape, the population having been reduced to himself, three generals, and twenty-seven war correspondents.

We cannot all live in housetrailer. But, if we buy our protection from a private firm instead of a government, we can buy it from a different firm as soon as we think we can get a better deal. We can change protectors without changing countries. (Friedman, 167-168. Cf. Rothbard, 220-221)

Still, it is enough to move beyond the territorial fallacy, to achieve similar benefits without having to abolish the state.

Wars between territorial and non-territorial states may follow a different pattern. Rothbard suggested that a war between a territorial state monopoly and non-territorial states is unlikely to lead to the creation of a single territorial state because non-territorial states will not initiate aggressive action and a territorial occupation regime will not be able to use an existing state apparatus to control the population (Rothbard, 237-241). Despite Rothbard's optimism, states can engage in war, not in response to aggression or to rule a population, but for plunder. Sufficiently ruthless and totalitarian states may subdue any popular resistance. Neither plunder nor totalitarian rule offer great advantages in the long run for the aggressive state, yet it has not stopped states from plundering and occupying. To prevent such temptations, non-territorial states will have to balance the military power of territorial aggressors. Still, the incommensurability between territorial and non-territorial states gives some advantages to the second in any struggle. Following the communication revolution, states do not need a specific geographical location. Rothbard and Sanders missed the essential supra-territorial nature of non-territorial states or protective associations:

... it is obvious that the larger an area in which [the free market] is first established the better its chances for survival, and the better its chance to resist any violent overthrow that may be attempted. If [the market] is established instantaneously throughout the world, then there will of course be no problem of 'national defense.' All problems will be local police problems. If, however, only Deep Falls, Wyoming, becomes [a free market society] while the rest of America and the world remain statist, its chances for survival will be very slim. If Deep Falls, Wyoming, declares its secession from the United States government and establishes a free society, the chances are great that the United States - given its historical ferocity toward secessionists - would quickly invade and crush the new free society, and there is little that any Deep Falls police force could do about it. Between these two polar cases, there is an infinite continuum of degrees, and obviously, the larger the area of freedom, the better it could withstand any outside threat. (Rothbard, 239)

... it would not be necessary for the entire world to be involved in the project. It will here be assumed that the area envisioned is approximately the size of present-day super-powers.... If a free market of that size would fail, then it would seem that special assumptions would have to be made about the international environment if the free market were to be defended for any territory smaller than the entire planet. Choosing territories of super-power size has the advantage of raising certain defense questions that might not arise for smaller territories, as well as the advantage of providing a plausible foundation for expansion of the free market: a large free market society would be noticeable, and could serve as a model for people elsewhere, if it survived. (Sanders, 199-200)

Rothbard and Sanders committed the territorial fallacy; they smuggled in the nation state through the back-door. Free-market based states are not utopian communities in the desert. These would be global corporations, supplying services for a price. The situation would resemble what would happen if North Korea declares a war against American Express. How can it proceed? It may attempt to attack company representatives and card holders. But how can they be recognized? Where is American Express?! American Express can immediately disappear and reappear under new corporate identities. The incommensurability between the global efficient non-territorial state and the geographically limited nation state opens a door of opportunity for the first. If states can be managed from business offices anywhere through computer networks, the non-territorial state, like American Express, is geographically indestructible. At most, a territorial aggressor can

target political customers in a restricted territory. But then, the non-territorial state can survive such aggression, just as American Express could survive losing the credit market in Tibet [2].

Natural Monopoly? The Territorial Fallacy

The standard territorial-monopolistic definition of 'state': "The political organization of a body of people for the maintenance of order within its territory by coercion" (Gilbert, 850. Cf. Weber, 78), excludes non-territorial state models. But is the state necessarily a territorial monopoly?

Nozick argued that states are natural territorial monopolies. When several protective associations compete, territorial monopolies emerge as a result of contradictions between the regulations of different protective associations: When a citizen of one state or protective association acts toward a citizen of another in a way that constitutes a crime according to the laws of the second state but not according to the laws of the first state (Nozick, 10-25). Machan agreed with Nozick that a political monopoly is necessary for resolving conflicts of jurisdiction about rights: "... a good human community can have only one final authority, having jurisdiction over a homogeneous sphere of human occupancy, and commanding an enforcement agency with loyalty to no other final authority..." (Machan, 1983, 513). Still, as Wolff (56-59) noted, Nozick's argument for natural monopoly is odd for an alleged libertarian. Wolff criticized Nozick for not offering a justification of political monopolies, whether or not they are natural.

Jurisdictional conflicts lead in Nozick's opinion to one of three solutions that result in the establishment of political monopoly over a territory: First, protective agencies engage in war of annihilation from which one agency emerges as the dominant one. Second, the battle results in a geographical division in which clients of conflicting states concentrate around their centers of power. "In either of these two cases does there remain very much geographical interspersal. Only one protective agency operates over a given geographical area" (Nozick, 16). Thirdly, the conflicting agencies reach an agreement, either to refer all disputes to a third authority, or to divide jurisdiction, so a federal structure emerges. "In each of these cases, almost all the persons in a geographical area are under some common system that judges between their competing claims and enforces their rights" (Nozick, 16).

Nozick made several doubtful assumptions:

1. If protective associations cannot agree, they resolve their disputes violently.
2. Arbitration between states is necessarily federal.
3. War is over territory.
4. Geographical political-monopolistic division solves the problem of conflicting state regulations.

Actually, states and protective associations rarely go to war over jurisdiction. Had Nozick and Machan been right, we could have expected Britain to go to war against Brazil over the extradition of the "Great Train" robbers and against Iran over the Rushdie affair. States do not go to war over conflicts of jurisdiction because the prospective losses considerably outweigh the expected gains. This was recognized by Aeschylus, Euripides and Lucretius, who ridiculed Agamemnon for joining the Trojan war, a war of jurisdiction over Helen.

Friedman suggested in his account of protective associations a more plausible scenario of jurisdiction conflict resolution between protective associations that involves neither war, nor federal arrangement, but voluntary arbitration:

Wars are very expensive. Defense [companies] are profit-making corporations, more interested in saving money than face.... Whoever wins, by the time the conflict is over it will be expensive for both sides. They might even have to start paying their employees higher wages to make up for

the risk. Then both firms will be forced to raise their rates. If they do, ... an aggressive new firm ... will undercut their prices and steal their customers. There must be a better solution.... arbitration.

In practice, once [free market] institutions were well established, protection agencies would anticipate such difficulties and arrange contracts in advance, before specific conflicts occurred, specifying the arbitrator who would settle them. (Friedman, 157-158. Cf Rothbard, 221-227)

Nor is it plausible that state monopoly (territorial or not) appears by natural economic means (Sanders, Chapter 7).

War is not necessarily over territory and does not result inevitably in regional territorial monopolies. Though most historical wars have been conducted over territories, economic and technological progress is making territorial wars increasingly obsolete. While most people lived from the land, the most common and non-perishable kind of wealth was land. Then war over it made sense. In today's world the most important forms of wealth are information and capital. The mobility of information and capital following the communication revolution makes territorial wars increasingly obsolete. Conquering a territory makes nobody smarter, but it makes investors withdraw capital. Even if states engage in war, under today's (and certainly tomorrow's) economic and technological conditions, it is more likely to be over information than over land. So, if war results in a division of power between monopolies, this division is not necessarily territorial.

The “War on Terror” demonstrates the advantages a non-territorial group enjoys in fighting a territorially based military. Al Qaeda is a non-territorial political entity. It does not need to control a territory in order to survive. Rather, its survival is based on constantly moving and changing territories. By contrast, when the United States military declared war on it, it attempted to achieve a control over territory and a large population of people who were not involved in the conflict. But controlling a territory is neither sufficient, nor necessary, in order to fight a non-territorial political entity. Instead, it just wastes resources that could have been better spent on fighting a non-territorial war, on conquering, controlling and holding a territory whose most inhabitants had nothing to do with the conflict. The War on Terror attempted to use 19th century territorial means to fight against a 21st century non-territorial group of terrorists.

Sovereignty does not eliminate conflicts over jurisdiction when the geographical distribution of people is in disaccord with their citizenship: Today, citizens of some states live increasingly in territories monopolized by other states. Contractual agreements between states, territorial or not, are necessary for determining jurisdiction.

It is important to note that historically the territorial monopoly definition of the state is relatively recent and therefore inessential: Tribal societies based their political organization on kinship, not territory. The Greek Polis was essentially a structure of people united by law, not by a relation to a territory. When the Greeks colonized, the future state, its hierarchical political structure, had already existed on the ship, long before a favorable precise site for the new polis was even chosen. Plato represents this political worldview in *The Laws*. The first Puritan New England communities were based on an explicit covenant, agreed on by the settlers irrespective of the actual site of their settlement. The feudal state system was based on territorial ambiguity. The hierarchical-personal feudal relationships were more essential than accidental territories that accompanies the personalities. The division of power between the church, the king, and the vassals is at odds with the modern idea of a single sovereign over territory.

The subjugation of society, territory and nation to a single political monopoly is modern. An international system based on sovereignty became dominant in Europe only with the Westphalian

settlement of the Thirty Years War in 1648 (Held, 86-89). The new territorial model of the state was legitimized ideologically under seventeenth and eighteenth century absolutism and nineteenth and twentieth century nationalism. The legitimization of the state's new monopolistic encroachment over society and territory often took a mystical turn, confusing the monopolistic relation between state, society and territory with an identity of state with society, or even of state with history. Kant confused the state with society in claiming that the state is a moral personality and therefore is an end in itself (Kant, 94). Hegel went further and mystified the state by identifying it with history itself making it the teleological end of history. The ideal of a unity of monopolistic state, a territory and a community (the nation) has become so entrenched in the West that even philosophers who attempt to defend a minimal state, assume unimaginatively the territorial definition of the state: "... The dominant protective association within a territory satisfies two crucial necessary conditions for being a state: that it had the requisite sort of monopoly over the use of force in the territory, even if this universal protection could be provided only in a `redistributive fashion'" (Nozick, 113). "I use `the state' to refer, roughly, to the final civil authority (or claimant thereof) in a given geographical domain" (Schmidtz, xvi). We must break through these ideological mystifications of the state to discover the possibility for a free political market without monopolies.

Framework for Criticism

In the *Perpetual Peace*, Kant noted that the separation of states is preferred according to ideal reason to the domination of a single universal state. The concentration of power at the center of a single universal state makes it inevitably into a tyranny [3]. To paraphrase Lord Acton: power corrupts, and absolute single universal power is absolutely, singularly and inescapably corrupt. A universal state is the political equivalent of a universal economic monopoly. It has no incentive to improve, change, adapt, and innovate. The individual citizen of a universal state has no alternative, no escape from a universal corruptible political power and no ability to force meaningful political change on it.

There is no universal monopolistic state. The current international political system is based on regional territorial monopolies, nation states. Each state (except for the Knights of Malta and governments in exile) has a monopoly over a given territory and its inhabitants. Such regional monopolies limit political free competition.

The definition of a monopoly -- "A situation in which a seller is the sole source of supply for a good that has no significant substitutes, when the behavior of sellers is less than competitive. The seller has significant discretion over the price and whose quantity sold varies inversely with the price" (Bishop) -- applies to political territorial monopolies. Monopolies enable price discrimination, the provision of an identical product for different prices to different groups, to maximize profits. A monopoly can capture through price discrimination the whole market for a product. The state territorial monopoly separates groups of constituents and charges them different prices (taxes) to maximize its revenue (North, 251).

Territorial political monopolies supply goods like security, adjudication of disputes, etc., that have a limited number of substitutes produced by other firms. "The degree of monopoly power of the ruler ... is a function of the closeness of substitutes for the various groups of constituents" (North, 251). North suggests two possible sources of competition: other states, and potential rulers within the existing political-economic unit. The fewer the substitutes, the more freedom the state has to become despotic and the more income it is able to extract from society. The state provides greater services for those sections of society with greater access to substitutes. Substituting the state monopoly consists either in immigration of state customers to other

political units, or in support of political customers for a competitor within the state. "The former alternative depends upon the structure of competitive political units. The more geographically proximate ones of course have an advantage. The ruler's efforts to gain or keep constituents will be determined by the supply curve of protection and the marginal benefits to be derived from additional constituents" (North, 254).

Immigration and change in government come the nearest to a substitute for state territorial monopoly. Immigration possibilities and democracy decrease the monopoly power of the state and increase competition. But immigration is increasingly limited by failing territorial monopolies; and democratic change of government does not change the state's monopoly over political power, though it limits the monopoly of the upper echelon of the political structure to a prescribed period of time.

As North notes, the supply curve of the state, like that of all monopolies, is U shaped. Beyond a certain level of output, the marginal cost of production begins to rise, and the monopoly is unable to meet increase in demand without marginal increase in price. North suggests that U shaped supply curves of states differ according to what they attempt to supply. The right-hand upper side of the U curve is particularly felt in military expanses that reflect the increasing costs of new military technology. The monopolistic nature of the nation-state prevents the possibility of improvement, of reform in production that can meet increases in demand without increases in marginal price, reflected in a flatter supply curve. "Stagnant states can survive as long as there is no change in the opportunity cost of the constituents at home or in the relative strength of competitor states. This last condition usually implies that the state approaches the status of monopoly ..." (North, 255-256). Political changes in the Russian, and later Soviet, territorial monopoly resulted from the monopoly's inability to increase its output to meet military competition. The crisis of the territorial monopoly state also can be felt (though less drastically due to the absence of command economies) in other modern states. Modern nation-states face an increase in demand for their services: welfare, education, urban development, crime control, health services, etc. Facing this increased demand, states behave as monopolies that cannot supply an increase in demand without an increase in marginal price (as expressed in many cases in taxes) because their production power is limited, as expressed in their U shaped supply curves. The modern nation state has to charge more in taxes for fewer services. The modern nation state is stagnant, big, and inefficient. It has no competitors that may either force it to find new solutions, or supply the increase in demand themselves. Instead, some modern territorial monopolies "live on credit" and borrow capital for operational costs.

Under conditions of political free competition, mismanaged states can be eliminated swiftly before they incur greater losses. By contrast, the current international system of political monopolies drastically limits competition. Inefficient and uncompetitive states collapse only after a long decline and immense human and economic losses. In the case of communism, its victims had to wait for two generations until its internal structure collapsed.

The success or failure of a national economy in the current system of territorial monopolies (even under ideal conditions of free trade) may not necessarily reflect the success or failure of the nation state. A state may be managed efficiently according to excellent laws, but suffer natural disasters, or its citizens may not be entrepreneurial and productive. Conversely, a state monopoly may be managed by a corrupt regime according to bad or ineffective laws, but the citizens may be entrepreneurial, the land rich in natural resources, etc.

The degree of economic monopoly is inverse to the degree of consumer information. Informed consumers increase competition between producers. Accordingly, free competition between ideas

is a necessary condition for political free competition. To make an informed decision regarding one's choice of state and social contract, there must be free competition between ideas. Still, it is insufficient for free political competition. Political ideas may prevail long before they may affect political reality. Following the information revolution, political consumers are much better informed. The free airways, facilitated means of reproducing information, books and newspapers, desktop publishing, fax, photo-copying, the internet, computer technology, audio and video technology, and satellite and cable TV have been presenting even the subjects of totalitarian states with alternatives to their political experiences. The information revolution has been limiting the monopoly power of states over their subjects' minds. Still, it is difficult under current conditions, to transform in a reasonable period of time ideal victory to a political reality. In East and Central Europe, it took a generation for the victory of democratic ideals that were expressed in Hungary in 1956 or in Czechoslovakia in 1968 to become political reality in 1989. From the consumer's perspective, the degree of monopoly is inverse to the degree of consumer mobility. While perfect free political competition is remote from the current international system of territorial monopolies, the existing degree of voluntary mobility (immigration) from one territorial monopoly to another is the actual degree of consumer mobility in the political marketplace. In this respect, while the technical means for political consumer mobility keep improving, territorial monopolies that may come under increased demand under conditions of increased consumer mobility move to limit such mobility or elasticity in demand through immigration controls.

Political consumer mobility has been an important factor in political history. For example, competitive democratic states have been competing with totalitarian and less competitive and efficient political systems. This political competition, as limited as it has been, by emigration restriction in the old Soviet bloc, and immigration laws in western democracies, cost the Soviet bloc its best and brightest, while benefitting democracies with entrepreneurial, bright, taxpaying citizens. Understanding modern history is inconceivable without considering the beneficial political and economic effects of consumer mobility between Europe and the Americas and Australia, and the harmful effects of their restriction.

Conclusion

A panarchic political world would not be heaven on earth. It will not eliminate human misery or generate universal justice. It is better than the competing models: The anarchist preference for avoiding states altogether, the creation of a world-state, and the present "Westphalian Order" of nation states. Unlike an anarchist order, it allows persons to voluntarily purchase the kind of political services they desire from a single provider. Unlike a universal world monopoly state, states in free competition have an incentive to reform and improve, while their clients can change them. Unlike present day nation states, non-territorial states can offer greater choice and variety of services, practically eliminate mass warfare and have considerable positive effects on economic growth and rationalization in world economy.

I tried to demonstrate that a free political market is possible because the state is not a natural monopoly and a regulated market can take place without a monopolist state. I used this model as a vantage point to criticize from the present world political order. It is interesting though, to observe contemporary institutions and processes that push in the direction of a free political market: International insurance and credit corporations; the gradual erosion of sovereignty; immigration; and the information revolution.

NOTES

[1] The monopoly of a territorially based state is inconsistent with Rawls's system of justice. Rawls prescribed that whatever is distributed, must be produced efficiently, modeled by Pareto's optimacy curve (67). But Pareto optimacy is impossible in a monopoly because the price of commodities (the services of the state) is too high, and the quantity of commodities (state services) too small. Thus, Rawls's claims are internally inconsistent.

[2] The development of non-territorial states to "shadow" sovereign territorial states occurred to political theorists when confronted with non-democratic authoritarian states. In Communist Czechoslovakia the dissidents discussed Vaclav Benda's idea of a parallel polis (Skilling, 1991). Segal (1989) suggested to found a Palestinian state without sovereignty despite the continuation of Israeli occupation. The Palestinian attempt was more successful than the Czechoslovak one, probably because it is more difficult in a modern totalitarian state to become fully independent of it (Tucker, 1994).

[3] Although David Held perceived the obsolescence of the sovereign nation state, he did not recognize the dangers of monopolization in the "cosmopolitan order of democracy" he advocates (92-97).

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