

Democracies are Spontaneous Orders, not States, and Why It is Important

GUS DIZEREGA

Email: gdizerega@gmail.com

Web: <http://dizerega.com>

Abstract: States are organizations whereas democracies are spontaneous orders. Because successful organizations within spontaneous orders are vulnerable to displacement through competition, one attractive option for protecting themselves is using their resources to change the rules in their favor. This is true for political parties vulnerable electorally and businesses threatened by market competition. They frequently ally to subordinate spontaneous order processes within their respective systems to the most powerful organizations within them. The result is that a democratic spontaneous order can gradually be transformed into a state. This transformation is of more than scholarly interest because, among other things, it increases the likelihood of war.

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I. DEMOCRACIES AS SPONTANEOUS ORDERS

A puzzling paradox

During World War Two, when the democratic world was fighting Nazi Germany and imperial Japan, their national economies and scientific research were largely devoted to winning the conflict. For most citizens, winning the war took precedence over any other goals. Beyond the need for providing basic necessities, civilian production took a back seat to military needs. The same observation held for scientific research. In the U.S., for example, government had become the single largest purchaser of scientific and economic work, and shaped both in accordance with its priorities. A single buyer had near-monopsonistic clout, subordinating spontaneous order processes to organizational ones. Market processes remained important, but they were subordinated to winning the war.

Freedom of speech, a fundamental component of the democratic world, was limited in wartime. In peacetime, freedom of the press is a central part of a democratic polity. In wartime it is not. In peacetime virtually any political position can be argued for electorally. This is not true in wartime. Political freedoms that inhibited or might potentially inhibit the war effort were proscribed. No Nazis ran for office in the United States. Britain even postponed elections but remained a democracy. Speaking and organizing free-

ly over political matters is acting as a good citizen during peacetime, but it could be acting disloyally during wartime. Many American and Canadian citizens of Japanese ancestry were incarcerated in concentration camps, their belongings seized never to be returned. They had committed no crime. It was a classic case of tyranny of the majority.

Government control of the economy, restrictions on civil and political liberties, large scale violation of basic human and citizenship rights, and even, in the case of Britain, postponing elections, all characterized the democratic world's reaction to Nazi and Japanese aggression. It might seem as if the differences between the Allied and Axis powers were more quantitative than qualitative. *The freedoms limited by democracies at war are defining elements in what makes them democratic during peacetime.*

Yet World War Two is correctly described as a war of democratic powers allied with the Soviet Union against other undemocratic powers. It might seem democracy had to be abolished in order to be preserved. However, once the war was over, most of these limitations on traditional democratic freedoms and the vitality of civil society quickly ended.

Understanding this paradox deepens our understanding of democracy. It will also deepen our understanding of other spontaneous orders.

Defining democracy

Democracy's modern meaning is intimately tied up with the founding of the United States. When writing his contributions to the *Federalist*, James Madison realized the terms used to describe traditional states did not fit the proposed American government, observing "the Gov't of the U.S. being a novelty and a compound, had no technical terms or phrases appropriate to it, and ... *old terms were to be used in new sense, explained by the context or by the facts of the case*" (1831, p. 475, italics added). Famously, Madison picked "republic" as his term of choice for the proposed government, but defined it in a way no one ever had before.

In *Federalist 10* Madison famously distinguished between republics and democracies, and strongly criticized the latter, writing that pure democracies "have ever been spectacles of turbulence and contention; have ever been found incompatible with personal security or the rights of property; and have in general been as short in their lives as they have been violent in their deaths" (Publius, 1961). Republics, in his sense, would overcome these weaknesses.

Madison explained that "[t]he two great points of difference between a democracy and a republic are: first, the delegation of the government, in the latter, to a small number of citizens elected by the rest; secondly, the greater number of citizens, and greater sphere of country, over which the latter may be extended." Madison's "pure democracy" was direct democracy as had existed in some Greek city states, and was characterized by "majority rule." Its core weakness was its vulnerability to "factions." He defined a faction as

a number of citizens, whether amounting to a majority or a minority of the whole, who are united and actuated by some common impulse of passion, or of interest, adverse to the rights of other citizens, or to the permanent and aggregate interests of the community (Publius, 1961).

The cure, Madison argued, was to expand the size of the polity, thereby incorporating too many potential factions for one to rise to dominance, and to rely on elected representatives as better able to decide public issues than the average citizen.

A few years after the constitution was adopted, Thomas Jefferson translated a book describing the new country by the Frenchman Antonine Destutt de Tracy (Destutt de Tracy, 1811). In his translation, Jefferson adopted the term "representative democracy," to describe the new government. The name stuck. Today, Madison's "republic" is what

we normally mean by "representative democracy." Almost no one uses "democracy" to refer only to its original meaning, nor do they advocate it for nations or even cities. To a limited degree direct democracy through voter initiatives exists in American states and cities and some nations such as Switzerland. It also survives in some town meetings, but always within the larger and limiting context of representative democracy.

While in a representative democracy, every vote counts equally at some crucial point in the political process, the term "majority rule" is misleading. Madison's argument rests on the insight that what constitutes a majority depends on context, and different contexts produce different majorities. A representative democracy can incorporate different majorities arising out of different contexts for selecting representatives.

In the American system routine decisions require simple majorities by decision-making bodies. At first take this would seem to open the door to majority tyranny. But Madison opposed requiring super majorities as a means for protecting minorities over most issues, writing in *Federalist 58*:

That some advantages might have resulted from such a precaution cannot be denied... But these considerations are outweighed by the inconveniences in the opposite scale. In all cases where justice or the general good might require new laws to be passed, or active measures to be pursued, the fundamental principle of free government would be reversed. It would be no longer the majority that would rule: the power would be transferred to the minority. Were the defensive privilege limited to particular cases, an interested minority might take advantage of it to screen themselves from equitable sacrifices to the general weal, or, in particular emergencies, to extort unreasonable indulgences. Lastly it would facilitate and foster the baneful practice of secessions (Publius, 1961, p. 361).

The Framers used a different approach to prevent majority tyranny without a minority veto, and its accompanying threat of minority tyranny via political blackmail. The House, the Senate, and the President, were elected by *different majorities at different times*. Electing members of the House of Representatives all at once for two-year terms, each usually depending on a small portion of a state for support, requires a different mix of people and issues than does electing senators representing entire states for six-year terms. Even the opinion of the moment is modified for, un-

like in the House, one third of the Senate is elected every two years. It would take four years to change a majority of Senators.

The President was elected every four years for a four-year term, and until recently, the Electoral College almost always reflected the majority's vote. As the office least connected to the popular vote, a president's veto could be overridden by a two-thirds majority of both houses of Congress, to which the president had no recourse. To pass legislation a majority of the House, elected one way by small majorities, a majority of the Senate, elected another way by entire states, and the President all had to agree. Failing that, a super majority of the two bodies representing different majorities was required.

The intent of this complex structure was to prevent a simple majority from making potentially disastrous decisions, while preserving the principle of political equality among voters. Madison personally opposed the major violation of the majority principle among citizens: unequal representation among states. But if he had gotten what he wanted the principle would not have been compromised.

If the House, Senate, and president, all representing different majorities elected in different ways for different terms, agreed, the resulting legislation was likely to be wiser than it would be if created by a single body. As expressed within the constitution, the Founders' ideal was a *practical* consensus rather than either majority or minority rule.

Democracy, coercion, rule, and games

As readers of this journal likely understand, the market is what Hayek termed a spontaneous order. By this he meant that order rather than chaos arises within the total network of market transactions even though no one has knowledge of its details. Nonetheless, each individual within it can easily find the information needed to increase the likelihood their particular projects will succeed. In any spontaneous order, coherent system-wide signals arise from the independently chosen interactions of people acting without knowledge of what others are doing (Hayek, 1973, pp. 38-40; Polanyi, 1962; 1998, p. 195) As we shall explore in some depth, a democracy is a spontaneous order whereby the political process selects out measures of value to the community as a whole, even though no one in that community has a grasp of the whole.

But even at this initial stage of our argument, a potential objection arises. All spontaneous orders depend on voluntary relationships. A market depends on willing sellers and buyers. Science, another such order, depends on a scientist

being convinced by another's argument (Polanyi, 1962). Yet democracies make decisions binding on everyone, even those who voted against a proposal or candidate. Doesn't this make them coercive?

I argue that they are not coercive in any usual sense, although specific laws passed by them can be.

The democratic process focuses on serving the interests of the involved population as a whole. In this way it is like science, which seeks agreement among its members as to what constitutes reliable knowledge (Ziman, 1978). Unlike science, in a democracy *not* deciding is a decision, one favoring the *status quo*. Science is in no hurry. Democracies sometimes have to be. But does this need to act rather than wait for a consensus to evolve make democracies coercive?

Spontaneous orders arise out of people following procedural rules that do not tell them what to do, only how to do whatever it is they wish to do. The rules allow for mutually contradictory plans and purposes to be pursued. The bias inherent in these rules is to favor the values inherent in the order itself. The bias of market rules is to facilitate instrumental transactions between willing partners. The values of what we simplify as the "scientific method" is to facilitate agreement among scientists about what counts as the most reliable knowledge of the world that we can find. However, values such as these can manifest in an indefinite number of projects, many of which could contradict one another. They do not "load the dice" to favor specific outcomes.

Hayek describes the market order as a game (1976, pp. 115-20). "Players" compete within the market, with some succeeding and others failing, but all following the same set of rules. In important respects the democratic process is also analogous to a game. Both democracies and games establish rules that strive to be free from bias favoring particular players, and so enabling us to determine fair winners in contests where people pursue incompatible goals.

In spontaneous orders people are not free to pick and choose what rules apply in their field. In science, the rules exist independently of any individual scientist and change only slowly, if at all. Respecting the existing rules is part of being a scientist. Any change in these rules requires the bulk of the relevant scientific sub-community to accept the modification by finding it helpful.

In the market, people can choose what, if anything, to exchange, but the basic rules for legal exchanges are common to them all. Nor is what is called "private property" a matter of individual choice. The same property rights must apply to everyone, including limits to what can be owned. Even voluntary transactions take place within a framework

of rules applying to all. We are not ‘coerced’ in any reasonable sense by being required to have a document notarized or to include specific wording in a contract if we want legal protection.

Democracies share these qualities.

Civil society necessarily rests on a framework of common rules, but people will disagree as to what these rules should be. Democracies exist to discover new or to modify existing rules within civil society. For example, market exchanges require defining what makes an exchange valid, both procedurally and in terms of the property rights exchanged. If legally enforceable exchanges are to be made, a common rule needs to apply to all, and any of a wide range of possible rules are preferable to there being none at all. Yet only one can prevail.

Only one side can win a game, and, like games, politics normally has winners and losers. Importantly, in both a game and in a democracy, the loser plays by rules agreed upon in advance. The requirement for fair procedures is necessary because everyone knows they will not agree on all particular outcomes, yet decisions applying to all are still essential. A football team employs plenty of physical force, but a team does not win by coercing the other side. It wins by outplaying it. Subordinating physical force to universally agreed upon rules is the difference between a football game and a battle.

No one would accord a heavier political weight to another if by doing so they increased their likelihood of losing on future decisions important to them. However, it is easy to imagine a community of people who know that they will sometimes disagree with particular decision outcomes and still *unanimously* adopt rules enabling these decisions to be made. They adopt such rules because on balance they expect to benefit from the process. *So long as the process is fair the losers cannot justly argue they were coerced.* This is why legitimacy is such an important value politically. In its absence, force rules.

Economists, classical liberals, and libertarians generally assume that property rights exist *before* they start their analysis. Economists hide this assumption within the terms “land,” “labor,” and “capital” and thus never confront what it actually means to own land, what counts as contractual labor, or what serves as capital. Classical liberals and libertarians often intone “private property” as a kind of spell, without ever wondering what that term incorporates or excludes. But specific property rights are not self-evident, and a means to define them must exist (diZerega, 2013b).

In democracies votes determine how a community as a whole decides, who should make decisions for them, and what those decisions will be. What, if anything, should Missoula, Montana, do about pollution from wood smoke? What, if anything, should we do about growing human contributions to global warming? What, if anything, should we do about homelessness? What, if anything, should we do to increase home ownership? Here “democracy” refers to the process and not the decision. Whatever the decision, it will be made democratically.

We can all agree the rules for making such a decision can be fair, and yet accept that on occasion, outcomes we oppose will emerge. Fair rules for deciding questions that *must* be decided are not coercive in *any* reasonable sense. This is true, even when we disagree with a particular decision.

There is one more dimension to understanding democracy and coercion. The final vote establishing a decision does not define a democracy. Were that sufficient, every referendum promoted by a dictator would be democratic. In reality, however, a democracy includes the *total process* of discussion, debate, and voting (Kingdon, 1995). To be sure, without a final vote, we do not have a democracy. But free discussion is equally necessary. Equating democracy with the final vote is akin to equating the market with a consumer’s final purchase, or science with the adoption of a new theory. It assumes away the dynamic process leading to that outcome. In politics this error comes from importing habits of thought suitable for understanding undemocratic states—where decision-making is insulated from much of society—to democratic governments in which civil society as a whole plays a crucial part in the political process.

The claim that democratic government is “rule by a tyrannical majority” is *almost* always absurd. In *almost* every case it is akin to saying that the winners of a chess or baseball game have oppressed the losers. When a strongly held unified view arises, as in war, excesses can happen such as the internment and expropriation of Japanese Americans and Canadians during World War II. The tyranny of the majority became possible *because for most, the discovery process had become redundant.*

Democracy is always a balancing act between the desirability of universal agreement and the reality of inevitable disagreement over decisions that must be made. The defining democratic value is a practical consensus, not majority rule (diZerega, 2000). This is not just theory. In practice, democratically structured committees prefer consensus over majority decision-making. Communities such as New

England's famous small-town democracies preferred consensus to majority vote so strongly that if a significant minority disagreed, a decision could be deferred; if the disagreement persisted a town might even ultimately divide into two (Zuckerman, 1978). In larger, more complex societies there may never be a consensus on normal decisions, but there can still be a consensus as to what fair rules for making them would be.

Democracy, Cosmos and Taxis

In Hayekian terms, a democracy is unique in that in one context it is a spontaneous order and in another it is best understood as an organization with a widely supported goal. "Democracy" describes a political system with no over-arching goal, and with many parties and citizens advocating shifting and contradictory sets of policies. It can also describe a system in which all, or nearly all, citizens are united in attaining an overarching goal, such as winning a war. Both political systems may include the same people, but operating with different rules at different times.

In Hayek's sense an organization can be structured democratically, as with worker or consumer co-operatives, some political parties, and many clubs. Like a democracy at war, a structure of goals exists that for all practical purposes is universally accepted by their members. However, if it is not undergoing a crisis such as war or natural disaster, a political democracy has no hierarchy of goals. It is not an organization. What is done emerges from a political process controlled by no one.

Serious confusions arise from using the same word to describe a spontaneous order and an organization. "Economy" can refer to the market as a whole or to the organized economy of a household (Hayek, 1976, pp. 107-108). Hayek thought the confusion was so fundamental that a new term was needed for the market order: a "catallaxy" (Hayek, 1979, pp. 69-70). "Science" can also refer to the spontaneous order of science (Polanyi, 1962; Hull, 1988). But it is also used to describe an individual scientist "doing science" while pursuing a research project.

These confusions emerge in even greater depth with the term "democracy" because *both are manifestations of the same system*. A democracy at war resembles a firm's economy or a scientist's research project. It can be understood in organizational terms as pursuing a concrete goal with greater or lesser efficiency. At peace, a democracy is more like the network of all scientists or all individual economies, enabling many different and often contradictory po-

litical goals to be independently pursued, with no assurances as to which will succeed.

Like science and the market process, liberal modernity's other two defining institutions, under normal circumstances democracies are spontaneous orders where everyone can pursue whatever goals they wish within a set of procedural rules ideally applying to everyone equally. Markets use prices as signals, science uses agreement among specialists within a community as signals, and democracies use votes as signals. People and parties compete for votes in a way analogous to how businesses compete for dollars. A vote is given when a voter is persuaded by a candidate or party. If sufficient, these votes "purchase" the policies they want. In acting within markets, science, or democracy, we are more or less successful in obtaining systemic resources, such as money, agreement, or votes (diZerega, 1997).

Some readers might object that Hayek never called democracy a spontaneous order, and in fact was often critical of it compared with market processes. However, his criticisms were generally of those who considered democracy in terms of majority rule. In the *Constitution of Liberty*, he came very close to the position I am arguing:

We may admit that democracy does not put power in the hands of the wisest or best informed and that at any given moment the decision of the government of the elite may be more beneficial to the whole; but this need not prevent us from still giving democracy the preference. It is in its dynamic, rather than its static, aspects that the value of democracy proves itself... the benefits of democracy will show itself only in the long run, while its more immediate achievements may well be inferior to those of other forms of government (Hayek, 1960, pp. 108-109).

This argument is identical in logic to one Hayek and others have made for the market. In Hayek's words, the market is "a multi-purpose instrument which at no particular moment may be the one best adapted to the particular circumstances, but which will be the best for the greater variety of circumstances likely to occur" (Hayek, 1976, p. 115; see also Kirzner, 1973, pp. 232-3).

Democracies as discovery processes

Like the market and science, democratic politics constitute a never-ending process of discovery (Crick, 1964, p. 147). The market, science, and democracy all involve people following common procedural rules, but their rules fa-

vor different kinds of values (diZerega, 2010). The market facilitates individual exchanges by means of money prices. Science seeks what John Ziman calls “reliable knowledge” about the material world through persuading a community of peers (Ziman, 1978). Unlike science and the market, democracies exist to discover values and policies applying to the larger community and encompassing a wider and more contested range of values than either the market or science. Most people consider some entities non-reducible to dollars and cents, such as human beings, policing, prisons, national parks or, in the opinion of many of us, medical care. The same holds for scientific knowledge. Balancing the mix of values in decisions made for a community as a whole is a democratic responsibility that cannot be delegated to either the market or science, however much both may contribute to such decisions.

In retrospect it seems odd that Hayek did not see the systemic similarity between markets and democracies, as he knew science and the market were both spontaneous orders. Indeed, his friend Michael Polanyi used just this term and opened his essay “The Republic of Science: Its Political and Economic Theory” by explaining that

[m]y title is intended to suggest that the community of scientists is organized in a way which resembles certain features of a body politics and works according to economic principles similar to those by which the production of material goods is regulated (Polanyi, 1962).

Apparently, the intellectual climate for grasping these common similarities had to wait, perhaps until the late 1970s, when Ilya Prigogine’s work on dissipative structures (stable patterns far from equilibrium) in chemistry inspired many scientists to explore what he memorably termed “order out of chaos” in their own fields (Prigogine, 1984). Prigogine received a Nobel Prize for his work. At the same time, growing environmental concerns increased interest in the functioning of ecosystems. Ecosystems are also invisible hand phenomena. As research expanded in many fields, terms such as “self-organization,” “far from equilibrium systems” and “organized complexity” emerged, all referring to how persistent patterns could arise whose causes could not be reduced to the behavior of their parts, or to an initial governing intent.

It was at this time of growing sensitivity to the importance of invisible-hand processes that three political scientists quite independently began studying similar patterns

in democracies: R. J. Rummel (1997), John Kingdon (1995), and Gus diZerega (1989). By different routes, these scholars came to the conclusion that democratic countries were distinct from states as systems of political authority. The traditional equation of democracies as simply a variety of state was importantly misleading.

The nature of states

In his study of the state’s origins, James C. Scott emphasizes that

“stateness” in my view, is an institutional continuum, less an either/or proposition than a judgement of more or less. A polity with a king, specialized administrative staff, social hierarchy, a monumental center, city walls, and tax collection and distribution is certainly a “state” in the strong sense of the term (Scott, 2017, p. 23).

From the beginning the term “state” in the modern sense was associated with rule over others. In *The Prince*, Niccolò Machiavelli’s term *lo stato*, is usually translated as “state.” Hanna Pitkin observed that asking whether Machiavelli meant the nation or the Prince’s position by the term is misleading. For him, “the two form a single concept” (Pitkin, 1972, p. 312). Around 100 years later, Louis XIV became known for his claim “L’etat c’est moi” or “I am the state.” The state was explicitly equated with the will of a single person. Perhaps the classic picture depicting a state in this sense would appear to be Thomas Hobbes’ famous frontispiece to his *Leviathan* (see the cover of this issue).

The king’s head at the top depicts the state as a hierarchy, with a unified will at the top that oversees the rest. The people make up the body, subordinate to the head. A wise head maintains a healthy body, the better to serve its interests, but the body always serves the head.

Hobbes, of course, favored monarchy. But a difference distinguished Hobbes’ view of monarchy from Machiavelli’s, Louis XIV’s, and indeed the prevailing English sense of the divine right of kings. Hobbes argued for monarchy as good for the society as a whole, and ultimately based on its support. This common good was simply preventing people from having to live in constant fear of being killed. It was crucially different from claiming the king was god’s representative or that society was his property.

Hobbes’ argument that the public good was the ultimate justification for monarchy could be applied to justify other elites and other views of the common good. And in fact, if

we look at English history we see a centuries-long expansion of the rulers from a king to a gradually more inclusive parliament. However, until the United Kingdom became a democracy, suffrage was always limited to classes whose interests were regarded as superior to those of the population as a whole. For much of this time adequate property ownership was needed for full membership in the nation, and in this sense the state was an oligarchy. The common good was thought of in terms of corporate well-being rather than individual flourishing.

Until the rise of democracies wisely ruled states regarded their populations as assets that needed husbanding, the better to facilitate state power. The doctrine of enlightened despotism reflected this view. Absolute rulers could make their realms stronger by encouraging science, education, religious tolerance, and other values, for a healthy and intelligent population served the interests of the ruler.

From this perspective, there was no fundamental discovery problem analogous to that faced in science or the market. Decisions were the prerogative of the king, aided by his advisors, or whoever held a position of rule. The chief calculation required for early successful states was where the line lay where squeezing its resources for its benefit undermined the conditions for its long-term survival (Scott, 2017). Over time measures that improved the lives of the sovereign's subjects also became important because they added to the country's power.

We have, then, two concepts of the common good. The first, rooted in polities as states, is what is necessary to preserve or enhance the power and longevity of the state. The second, individual flourishing, arises out of a viable democratic process. Sometimes there is an overlap, but while both cattle and the wise farmer want healthy conditions for the herd, their ultimate reasons are very different.

The nature of sovereignty

The defining principle characterizing a state is sovereign power. States *rule* over people. Both states and democracies make rules, and in a narrowly legal sense, both are sovereign. Both are the supreme source of rules for those living in their territories.

But in states different people with very different social and political statuses make the rules for others of lesser status, and the rules ultimately reflect that elite's subordination of society to its particular interests. Whether a state is dominated by a king, a tyrant, a party, an oligarchy, a church, or the military, it has always been an organization of rule with interests distinct from those of society as a whole.

The doctrine of sovereignty in this sense fits awkwardly into democratic theory. Madison wrote that “[m]uch of the erroring expounding the Constitution has its origin in the use made of the species of sovereignty implied in the nature of Government” (Madison, 1819, pp. 361-2). Sovereign implies a sovereign will, and normally there is no such thing in a democratic republic.

“Sovereign” as describing ultimate authority has no clear role in describing a spontaneous order. We are told democracies are characterized by “popular sovereignty.” In a democracy, the people who support one successful measure will normally be different from the people who support another successful measure. There is no unified will, no head at the top, and what order exists arises out of a political process controlled by no one rather than being imposed from the top down. *Except in times of war or other major external crises when a unified will temporarily arises, there is no sovereign.*

Comparing a democracy with a totalitarian state helps make this point clear. Most states do not seek to control all of society, and even very authoritarian ones are primarily concerned that no one challenges authority. Beyond that, people are left alone. By contrast, a totalitarian state seeks to penetrate and control all of society, prohibiting any independent initiatives on the part of its subjects. A democracy has a similar interpenetration of government and society, but the power relations are reversed. Any individual or group can seek to influence or change the government. But unlike a state, society has no will. It is as varied and complex as the people and organizations within it. Those influencing one decision will often be different from those influencing another.

The U.S. constitution illustrates how institutions associated with states are subject to civil society. Typical state institutions, such as the administrative bureaucracy, the police and the military, are located in the executive branch. If this were all there were to American government it would be a state reflecting the intentions of its executive. However, liberal democracies subordinate these state institutions to the population, which is free to advocate and implement contradictory policies as a normal and essential part of the political process. When the people, or their representatives, create or amend existing law, executive institutions must obey these changes. The legislature is the supreme constitutional branch, and is most directly tied to the population as a whole. In the United States, Congress can remove any judge or president and no president or judge can ultimately overrule congress. Even a law once ruled to be unconstitu-

tional can be validated through constitutional amendment. Except in times of severe crisis, when a temporary unified will arises, the president's constitutional job is seeing that the laws are administered effectively.

Parliamentary democracies institutionalize the same principles in a different context. Democratic parliaments grew out of the slow accretion of ever more popular power, both in breadth and depth, to check and then guide the actions of kings. Unlike in America, the state pre-existed the democracy, was captured, and then subordinated to it. Superficially, parliamentary democracies resemble traditional states, but the Hobbesian head has been replaced by a popularly elected legislature. If it were a state, it would be one with multiple personality disorder. But, as Hayek observed, democracies generate a long-term pattern preferable to what states create.

Sometimes we hear terms like “consumer sovereignty” and “sovereign individual,” but these terms confuse what should be a clear distinction. In its original political sense, states are sovereign because there is no authority over them. But in spontaneous orders individuals, including in their role as consumers, exist within a network of procedural rules, usually enforced by law. Within this network they are free to act as they choose. In this sense they are free and independent *while immersed within a larger context of rules they did not make*. But they are not sovereign.

Varieties of states

Many states have not been absolute monarchies or dictatorships, and today the “administrative welfare state” is certainly distinct from this image. I have tried to prevent this misreading, but in case that implication remains for some, I will address it explicitly.

Historically there have been many kinds of states, from traditional or revolutionary despotisms to theocracies to aristocratic states where the ruler ultimately depended on an independent aristocracy, to oligarchies, to military rule to single party rule. And various combinations of these. Very few states are monolithic. What they have in common is that a certain set of interests is elevated above those of other people in society, and that force will be used to maintain that domination.

Consider the transition from state to democracy that occurred in England. This transformation was gradual, but crucially important. Along the way many Englishmen who had the vote lived within a fairly democratic environment where civil society was strong and individual freedom pro-

tected by the rule of law. Yet until universal suffrage was attained, England was not a democracy.

Let me strengthen this point with two examples.

The American constitution guaranteed a “republican” form of government to every state, and a republic was what we today call a representative democracy. Equality of the vote prevailed among those who qualified as citizens, but the states defined citizenship in different ways. A few initially gave women, or at least unmarried women, the vote along with men. But this right did not last, and for well over 100 years women did not have the vote. However, given that women were granted the same rights as men by the constitution, there were limits to how far they could be exploited.

Those states that became increasingly committed to a slave economy offer an important comparison. The antebellum South sought to preserve democratic liberty for its male White citizens while preventing the issue of slavery, so important to Northern politics, from becoming a major internal issue. Some of the measures were indirect but effective. For example, South Carolina required state representatives to have 500 acres of land and ten slaves, or alternatively, to possess land valuable enough that slaves were needed to render it profitable (Anonymous, 1968, p. 21). Beginning in Missouri in 1837 and within a few years throughout the South, antislavery speech was banned. The democratic principles that had justified the American Revolution were explicitly repudiated (Sinha, 2000). Political freedom could exist for members of the ruling order, but even for them it would be limited if deemed necessary to preserve its rule over others.

It is not the existence of all-encompassing policies that defines a state, it is the existence of an apparatus of rule. If, hypothetically, a city existed as a cooperative, and its members elected to have their dues finance public health and education, it would not be a (city) state. But if it were to have the power to incarcerate rather than expel members who broke its rules, and if it uses the threat of violence and punishment to compel obedience, it would be a political body that was either a democracy or a state, depending on how decisions were made.

And this example brings us to another interesting distinction between democracies and organizations.

The Iron Law of Oligarchy

Robert Michels' study of late 19th and early 20th century German Social Democrats led to his concluding that an “Iron Law of Oligarchy” inevitably turned formally democratic organizations into undemocratic oligarchies. “It is organi-

zation,” Michels wrote, “which gives birth to the dominion of the elected over the electors, of the mandatories over the mandators, of the delegates over the delegators. Who says organizations says oligarchy.” (Michels, 1961, p. 365)

Insofar as he confined himself to democratic organizations, Michels’ conclusions have held broadly true. However, Michels generalized beyond democratic organizations to all types of large-scale democratic institutions. His arguments were adopted by many right-wing authoritarians after World War I.

Like other instrumental organizations, democratic organizations exist to achieve specifiable ends. Some, such as cooperatives, often maintain democratic procedures as a part of that purpose. Nevertheless, specific tasks also exist alongside the simple maintenance of democratic procedures. For example, in the case of most cooperatives, one such task is successful marketing of products.

Most organizations appear unable to maintain both viable democratic procedures and successful pursuit of their substantive goals. Large organizations tend to provide incumbent leaders with decisive power over challengers, leaving rankandfile members with no influence over their policies. In their study of democracy and American labor unions, Lipset, Trow, and Coleman concluded that “the implications of our analysis for democratic organizational politics are almost as pessimistic as those postulated by Robert Michels” (Lipset et al., 1965, p. 454)

However, a few unions were internally democratic. Michels’ “Iron Law” was more like one made of bronze (Sartori, 1987, p. 149). The authors found that the factors that promoted organizational democracy were more characteristic of political democracy than of instrumental organizations. Three proved particularly important: opportunities for members to acquire political skills; access to independent channels for communication; and sufficient leisure time and money. All three factors increased the likelihood that internal democracy would flourish (Lipset et al., p. 467). Most organizations do not fulfill these three criteria, but they are still fairly widespread in political democracies.

In addition, they argued that “one of the necessary conditions for a sustained democratic political system in an occupational group is that it be so homogeneous that only ideology and not the more potent spur of selfinterest divides its members” (ibid., p. 347). This issue is however more complex.

Great homogeneity is not a characteristic of political democracy and Madison emphasized diversity could be a strength, *if it were complex enough*. Today we are witnessing

how ethnic and cultural divisions within democracies are causing many to endure serious strains. Madison’s emphasis on the threat of faction, and his attempt to create a constitutional structure able to neutralize their threat, gains renewed relevance in the current context.

While the public good necessitates some homogeneity of interests in a liberal democracy, it must be discovered, and is often either fleeting in its specifics, abstract, or both. It cannot be known with confidence in its specifics, except as it manifests itself in the political process. And even then, like equilibrium in the market and agreement in science, its attainment will often be temporary. The complexity characterizing democratic polities usually precludes the conscious homogeneity of specific interests which help hold together the unity of a labor union or cooperative. It must come instead from the process of political decision-making where no single interest rules.

Madison hoped the constitutional structure would create conditions where only policies generally beneficial to the country as a whole would be accepted by differently constituted majorities. However, the unanticipated rise of political parties created means by which destructive factions could organize for their own benefit. When combined with the deeply unstable combination of free and slave states, the stage was set for disaster. Madison’s worries come to fruition when political parties become polarized along issues which cannot be compromised.

Efficiency and discovery

Concern with “efficiency” is another example of confusing terminology when describing democratic polities. Political parties, bureaucracies, corporations, and research organizations can use their resources more or less efficiently, depending on how well they are employed to pursue their goals. In all these cases the language of efficiency applies, because what counts as efficient is defined in terms of the means to attaining a goal.

This framework contrasts with spontaneous orders. The scientific “goal” of finding reliable knowledge does not tell us anything about which projects scientists should pursue or what the knowledge they produce will look like. Seeking profitable exchanges does not tell us what exchanges will be profitable. Seeking the public good does not tell us what measures among competing proposals will best serve it. There is no hierarchy of projects implied by these “goals” for spontaneous orders. Normally democracies, markets, and science have no goals able to be described concretely enough that the language of efficiency applies. They are *nei-*

ther efficient nor inefficient, except during times of crisis so threatening that a unified goal emerges. People denouncing “democratic inefficiency” are making the same kind of error in a political context as that made by state socialists complaining about “inefficiency” in the market, or those who think a single authority could more “efficiently” direct scientific research.

As in science, democracies exist to find policies that will be regarded as legitimate by the community as a whole. These policies remain perpetually open to challenge, and this openness is partly why democracies have been so successful in the complex modern world, as opposed to dictatorships (Kingdon, 1995).

When facing a war or a natural disaster, democracies can have a unified goal because the nature of the public good is agreed to by nearly everyone. The people as a whole unite in favor of a clear hierarchy of goals, at least at the very top. The war must be won, the epidemic stopped, or damage from the earthquake or hurricane ameliorated, *so that normal life can resume*.

When the public good is obvious to nearly all and the government operates with close to unanimous support, the rules governing the democratic process are abandoned because the rules for discovery within spontaneous orders are antithetical to the rules of accomplishing a goal by an instrumental organization.

The nature of the democratic peace

Understanding democracies as spontaneous orders rather than states explains the most important distinction between the two. If we define a democracy (rather permissively) as a political system with universal suffrage that elects leaders and where power is passed on peacefully, *there has never been a war between two democracies*. (Rummel, 1997; diZerega, 1995) For comparison’s sake, consider that every Leninist state whose party came to power largely on its own, and bordered another such state, waged a war or engaged in a serious border conflict with its neighbor: Russia/China, China/Vietnam, and Vietnam/Kampuchea. The list is not long, but it is all inclusive. There appears to be something in democratic systems that, when present in two nations, prevents armed conflict between them, whereas states lack such a feature. The democratic process is that factor.

The best evidence this process is the cause consists in the counter-examples sometimes given to challenge the democratic peace argument. The United States has a long history of usually covert interventions in democratic countries to replace elected governments with dictatorships. Iran, Gua-

temala, the Dominican Republic, and Chile are the major examples. Significantly, in all these cases the interventions were orchestrated by the President, without ever involving Congress, let alone public discussion (Krasner, 2018, p. 89). There is no evidence presidents are more peaceful than dictators.

Another example illuminating the difference between democracies and states would be comparing the crisis in U.S.-French relations, when Charles de Gaulle pulled France out of NATO, with the rise of the Sino-Soviet rift, both of which happened around the same time. While neither event resulted in actual war, both strongly challenged the dominant power. The Chinese challenge ultimately led to serious border battles, with millions of troops stationed along both sides. Nothing remotely similar occurred between the U.S. and France, where in most respects relations remained unchanged.

In their study of these events, Ole Hosti and John Sullivan emphasize the role of multiple and independent lines of communication between France and the U.S. as important in limiting the conflict. Russia and China, lacking a civil society, and so lacking these independent relations among elites, were not able to contain the conflicts between them, which eventually became military (Hosti and Sullivan, 1969; diZerega, 1995, pp. 297-8). Their failure was in the face of their common knowledge that, even together, they were militarily weaker than NATO.

It is not democracy as such which creates peace, it is the systemic relationships developing within and between democracies, generated by their self-organizing political processes, which are conducive to lasting peace.

Refusing to distinguish between democracies and states because both make rules is the equivalent of equating the moon with a grapefruit because both are round.

II: THE RESURRECTION OF THE STATE

Just as a state can progressively become a democracy by expanding citizen status, a democracy can become a state by the progressive weakening of that status. It is happening today in the United States.

There is an inherent conflict of interests between successful organizations within any spontaneous order, and maintaining the conditions needed for such an order to flourish. The same processes that elevated an organization to success within the market, science, or democracy, can also weaken and dissolve it. For example, business organizations within markets can use their resources to change the rules to

strengthen their position rather than seeking to adapt to new circumstances. When successful, the result is a progressive merging of large businesses with government, obscuring and perhaps erasing the distinctions between them. The market process remains, but is at the same time subordinated to the organizational values of the powerful (diZerega, 2019). The same is true for democracies.

Political Parties and Plurality Elections

Political parties are not mentioned in the American constitution because they did not exist. But—as people sought political allies with common or compatible goals—political parties arose out of free political debate and the freedom to organize, very much like how new businesses arise in the market. And, as Robert Michels (1961) showed, dominant political parties are no more benevolently inclined to preserving a robust democratic process than powerful businesses are to preserving market competition. Once established, political parties faced the same problem successful businesses face: the freedoms that enabled them to arise and flourish can also cause them to fail. As conditions change, political parties may adapt, fail, or try to manipulate and change the rules in their favor. As with many businesses, political parties often favored the last option.

Once they arose in the U.S., political parties sought to manipulate the rules to make it difficult for third parties to arise. While the U.S. constitution does not require plurality elections (who gets the most votes wins), requiring plurality single-member districts for elections virtually guarantees a two-party system. When who gets the most votes wins, rather than who gets a majority of votes, voting for third parties is usually like voting for the main party you like least. Consequently, even if they prefer them over one of the two main parties, many citizens will not vote for third parties. The first parties institutionalized these rules, and third parties virtually never arise to challenge this type of two-party dominance. This political duopoly only broke down once, just before the Civil War.

Gerrymandering

In the American context, gerrymandering has been a popular way to bring the democratic process under greater party control by designing political districts to minimize competition. The parties shaped districts to empower supporters and weaken critics. Through gerrymandering, politicians in office choose their voters rather than let voters choose their representatives, a complete reversal of the values Madison and others hoped would prevail.

While long practiced by both Republicans and Democrats alike, at present the Republicans benefit the most egregiously from gerrymandering (Wolf, 2016). Gerrymandered districts help explain why Republicans often dominate all three branches of a state's government, despite their candidates consistently winning fewer votes overall than do their opponents. For example, the Pennsylvania congressional map has been notorious since 2012, when Republicans won (and subsequently held) 13 of the state's 18 House seats despite losing a majority of the popular vote (Kilgore, 2018). The boundaries of its 7th congressional district are an example of an extreme gerrymander.

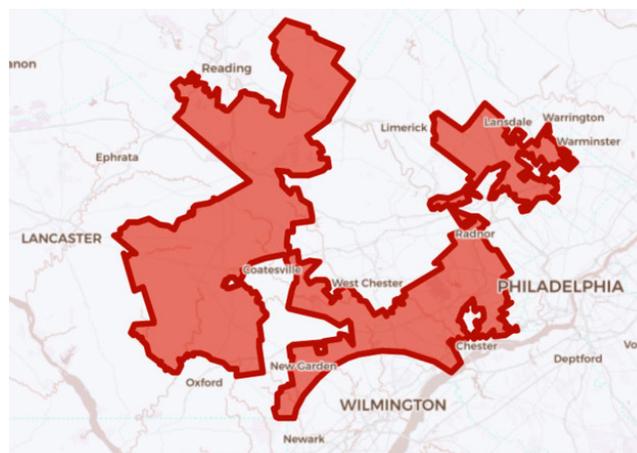


Figure 1: Pennsylvania's 7th Congressional District

These kinds of party manipulation of voting rules in order to safeguard those already successful from serious challenges have been with the nation since the country's founding. In themselves they were never strong enough to seriously weaken the political process as a whole. However, more recent developments are having a very different impact.

The rise of the capitalist state

Capitalism is a word widely praised or condemned, with little attention paid to a clear definition. The definition I use here is “a market economy where the dominant business form is the joint stock corporation.” Such an economy is founded on and steadily strengthens the integration of the most powerful economic and political organizations, in order that they might enjoy a more predictable and controlled environment. In a previous paper I developed this definition through a careful analysis of three of capitalism's major defenders: Ludwig von Mises, F. A. Hayek, and Milton Friedman (diZerega, 2019).

The capitalist transformation of a society is straightforward. Businesses and politicians, in alliance, create initial islands of politically derived privilege within the sea of market transactions, islands where profits are increasingly dependent on political connections rather than market processes. These islands grow, and as they grow, the market process is confined to increasingly constrained conditions, not through government planning, but through corporate-government alliances within particular regions of the economy. Small enterprises remain subordinate to the market process, while larger ones become less so. Jeffrey Sachs describes this process as a “corporate feedback loop,” wherein corporate money and personnel influence policies that, in turn, give corporations more money to influence those policies still further (Sachs, 2011, p. 116).

Politicians and political parties both need resources, and absent public funding, businesses are happy to supply them, in return for the resources they provide businesses. In the U.S. this pattern has long existed from Main Street to Wall Street. But whereas Main Street’s narrowly economic interests are closely connected with their broader community as a whole, the same cannot be said for large national or even international corporate organizations.

Symbiotic relationships between corporations and political parties increasingly subordinate the market process to dominant businesses rather than to the more complex values characterizing civil society, which are often shared by local businesses (diZerega, 2019). In the process, democracy is subordinated to dominant political organizations allied with these businesses. It becomes increasingly difficult to distinguish between where one ends and the other begins, even as both become increasingly independent of consumers and citizens.

Sachs describes four key sectors of our economy to illustrate this feedback loop: the military industrial complex, the Wall Street-Washington complex which increasingly concentrates control of the financial system in a few Wall Street firms, the big oil-transportation-military complex which has led to endless war in the Middle East, and the health care industry. Each arose relatively independently from the others, taking shape in keeping with capitalism’s *systemic* values as they applied them to their own industries.

Today each sector exercises sufficient political control to override the clear preferences of the American people on issues affecting both. This is not “pluralism” but rather describes a political-corporate oligarchy. The military industrial complex gives us endless defense spending. Big oil encourages many wars in service to its profits while work-

ing tirelessly to prevent alternative energy from replacing petroleum, no matter the harm to the planet. Wall Street and the banks concentrate ever more wealth at the top, and in doing so destroy the American middle class. The health industry increasingly squeezes Americans with the world’s most expensive health care (Sachs, pp. 116-31). This oligarchy, having several foundations of power, is not always in agreement with itself, but competing elites are compatible with serious and sustained exploitation of the unorganized sectors of society for the benefit of them all.

The end result of this process is the progressive emergence of an *oligarchic state* that hollows out democracy while gradually subordinating all of social life to its power, and increasingly other countries as well. While the sectors Sachs described are independent of one another in a number of ways, at least three now share a common incentive to expand military spending and the projection of our power abroad. The resulting wars and open-ended conflicts increase the power of the executive branch relative to the legislative branch. While the constitution gave Congress the sole authority to declare war, over time this power has been ceded to the Executive, first with interventions against small weak states, then through ‘police actions’ such as the Korean conflict, followed by open-ended grants of war-making power, until today the Executive argues it can initiate hostilities even in the face of Congressional opposition (Chesney, 2018).

Revolving doors

A permanent “revolving door” now exists between the largest banks and corporations and “public service,” uniting business and government, as leading corporate, financial, and political figures shift from government to business and back again. Conflict of interest is institutionalized as a basic principle (Moyers, 2012). Vice President Dick Cheney’s profitable connections with Halliburton were common knowledge. Until the Trump presidency, Obama’s first Attorney General, Eric Holder, retired from “public service” to return to his former law firm Covington & Burling, whose list of clients includes Bank of America, JP Morgan, Wells Fargo and Citigroup, all of whom he failed to prosecute for illegal actions during the financial crisis they helped cause. Matt Taibbi commented “I think this is probably the single biggest example of the revolving door that we have ever had. And we’ve had some whoppers . . .” (Taibbi, 2015). The Trump administration will, in turn, dwarf that of Obama.

In addition, upon leaving office, large numbers of elected officials take up lucrative positions as corporate lobbyists.

Bribery is unnecessary when those in office know they will be rewarded handsomely upon leaving so long as they behave appropriately. Corporate lobbyists are now being appointed to oversee the organizations established at least in part to regulate businesses. Permanent conflict-of-interest is institutionalized, with government and the largest businesses becoming so fused the claim of any clear distinction between them is misleading. This is a defining feature of capitalism. The result is a kind of oligarchy where people move from governmental to private positions, and in the process serve the increasing identification of both with a common system that increasingly replaces the democratic process.

Democratic political theorists have long emphasized how the lure of political power attracts those most interested in wielding it, as well as corrupting many who initially became involved for more benign reasons. Thomas Jefferson (1798) spoke for many when he wrote “[i]n questions of power, let no more be heard of confidence in man, but bind him down from mischief by the chains of the constitution.”

The same kind of problem exists in economic organizations.

The Character of CEOs

While researching criminal psychopathy, Jon Ronson came to an unexpected conclusion—that “the way that capitalism is structured really is a physical manifestation of the brain anomaly known as psychopathy” (Bercovici, 2011). The more psychopathic a CEO, the more at peace he or she would be in making the decisions needed to keep or enhance their position. Such people would have the edge over people who have equal talent but less ruthlessness.

Ronson described how about 4% of studied CEOs scored high on psychopathic traits, which is four times the percentage in the population as a whole. While nowhere near a majority of those surveyed, as he emphasized, there is a continuum up to a total absence of empathy which characterizes pure sociopathy. Given the economic incentives to reward successful psychopathic actions, their impact on business culture is almost certainly greater than their numbers.

Three behavioral psychologists studied 203 corporate professionals selected by their companies to participate in management development programs. The psychologists found the “underlying latent structure of psychopathy in our corporate sample was consistent with that model found in community and offender studies. Psychopathy was positively associated with in-house ratings of charisma/presen-

tation style (creativity, good strategic thinking and communication skills) but negatively associated with ratings of responsibility/performance (being a team player, management skills, and overall accomplishments)” (Babiak, 2010).

Four examples in pharmaceuticals

If any industries could attract well-intentioned management, we would expect pharmaceuticals to be among them. They are not. Considerable attention has been paid to the rising costs of insulin in the U.S., a life-saving drug for many diabetics. Insulin is a 100-year-old drug whose price has tripled in the past 10 years, leaving many sufferers unable to afford it. The pressures have gotten so high many sick Americans take “caravans to Canada,” for affordable medicine. Once they arrive, the same vials of insulin that retail for over \$300 in the United States were being sold for \$30 apiece. Less fortunate Americans have died due to cutting back on insulin, and losing the bet they made with their illness (Shure, 2019; CBS, 2019).

But the insulin example is far from an isolated case.

Genentech

Genentech discovered Avastin, a powerful drug for fighting colon cancer. Avastin is also very profitable. Later, doctors discovered its cancer-fighting qualities could also be used to combat wet macular degeneration (not the most common form of the condition, but one that afflicts primarily older people).

While it took a lot of Avastin to fight colon cancer, it took very little to fight progressive blindness through wet macular degeneration. Treatment with Avastin for wet macular degeneration was between \$50 and \$150. But Genentech put money profit ahead of everything else, and decided to make a much more expensive substitute, just for the eye. The company received FDA approval and marketed it under the name Lucentis. Unlike Avastin, treatment with Lucentis would cost \$2000.

If everybody with macular degeneration used the hyper-expensive Lucentis it would use up Medicare’s entire eye treatment budget. Consequently, many doctors kept using the much cheaper and, to their minds, just as good, Avastin. However, Genentech *discouraged* testing Avastin’s effectiveness in treating wet macular degeneration, claiming tests were unnecessary because Avastin could not work very well (Brody, 2007). Genentech also threatened in 2007 to cut off supplies of Avastin to anyone who made it available for eye use.

In November, 2007, the American Academy of Ophthalmology protested Genentech's decision as threatening lower income patients and argued they had seen no evidence of safety problems. In the face of doctors' protests Genentech backed down, and said it would continue selling Avastin to physicians, and ship it to destinations of their choosing, including compounding pharmacies (Haddrill, 2017).

In 2011, neutrally conducted tests were released indicating *no significant differences* in effectiveness existed between Avastin and Lucentis (LifeTech, 2011; BioTech Strategy, 2011).

KV Pharmaceutical

Progesterone helps prevent miscarriages and premature births in high-risk pregnancies, and the treatment has existed since 1956. It had long been made available by compounding pharmacies for around \$20 a dose, administered weekly. Then Progesterone won FDA approval to be marketed in the U.S. for seven years as "Makena," sold exclusively by KV Pharmaceutical of St. Louis. K-V then announced a price hike from \$20 to \$1500 a dose (Hutchison, 2011). The price increase boosted the treatment's total price to the average recipient from \$400 to \$30,000, guaranteeing serious financial sacrifices for many young families, a huge increase in insurance rates for policies covering pregnancies, and almost certainly an increase in miscarriages, because many people would choose to do without the treatment and hope for the best. Sometimes they would lose their bet.

FDA laws prohibit pharmacies from making FDA-approved products. KV also contacted pharmacies threatening them with FDA punishment if they compounded their own version of the treatment. Dr. Kevin Ault, associate professor of gynecology and obstetrics at Emory University School of Medicine, observed, "All the upfront development of the drug was done by the National Institutes of Health. You and I paid for that with our tax dollars, it's not like this pharmaceutical company is trying to recoup its investments in research and development, as is usually the reason for the price of new drugs."

This time K-V miscalculated. While the FDA has the authority to crack down on compounding pharmacies it is not obligated to do so. Sherrod Brown (D-OH) and Amy Klobuchar (D-MN) along with medical and patients' groups pushed for a change. In March, 2011, the FDA announced that it "does not intend to take enforcement action against pharmacies that compound [Makena] based on a valid prescription" (Zajac, 2011).

Turing Pharmaceutical

Daraprim is the dominant means for treating toxoplasmosis, a parasitical infection that can be fatal to fetuses in pregnant women. It is also used in treating some secondary AIDS symptoms. Martin Shkreli, a hedge fund manager who started Turing Pharmaceuticals obtained ownership of this 62-year-old drug. Daraprim had cost \$13.50 per capsule, and Shkreli raised the price to \$750 (Kuns, 2015). This indifference to human health and suffering was not out of character for Shkreli: while a hedge fund manager he had urged the Food and Drug Administration not to approve drugs made by companies whose stock he was shorting (Pollack, 2015).

Shkreli is no longer CEO of Turing and, as of this writing in 2019, he is currently residing in federal prison. Turing has however not lowered the price (Boboltz, 2018). The company blamed financial pressures, even though a month after raising the price it gave three top executives \$685,000 in raises (Merreli, 2016).

Fraud as a corporate value

Over five years, at least 5,300 Wells Fargo employees opened approximately 1.5 million fake bank accounts and applied for 565,000 credit cards that may not have been authorized by their customers. Customers accumulated late fees on accounts they did not know they had, and sometimes these bills were sent to debt collectors. With so many employees involved for so long, it is clear these crimes were not the actions of a few dishonest people, although the bank refused to say how many higher managers were involved (Corkery, 2015).

The actual financial damage done to customers was relatively small: \$2.6 million in surprise fees for many thousands of customers collected over 5 years (Peck, 2016b). Wells Fargo's tellers earn about 3 percent in incentive pay for sales and customer service, while personal bankers make about 15 percent to 20 percent of their total earnings from these payments. The fraud by lower-level employees arose from perverse incentives imposed by higher management. Tellers had daily quotas to fill, and threatened with being fired if they didn't meet them (Brown, 2016).

Once the scandal was uncovered, lower-level people were fired. However, it took sustained political pressure from Senator Elizabeth Warren and others for Wells Fargo's higher-ups to pay any price at all for their behavior (Warren, 2016; Peck, 2015). The Consumer Finance Protection Board concluded that the executives in charge of this division in the bank should have known what was happening

(Kaufman, 2016). But initially Carrie Tolsted, the executive whose division perpetuated these crimes for over 5 years, retired with a large severance package. The issue did not die down, and ultimately she was fired “for cause,” costing her 54% of her shares in Wells Fargo. She left the bank with “only” \$52 million (Wieczner, 2017).

Its CEO and Chairman, John Stumpf, was finally forced to retire and forgo \$41 million in unvested stock awards. Without pressure from Warren and other senators, he would still have received about \$120 million in stock and retirement benefits. As with Tolsted, political pressure reduced his take to only a little more than \$100 million.

The same “ethic” apparently prevailed at other major banks. CNN Money reported that “[o]ne former banker at a regional bank told [us] he witnessed the practice at his company. ‘The customers wouldn’t even know,’ said the banker, who insisted his name not be used. ‘Wells Fargo isn’t the only one. This is an industry-wide problem’” (Egan, 2016).

CNN Money reported everyone they spoke to had to pursue similar sales goals demanded by senior management. Bank of America, Citi Bank, JP Morgan and Chase, and US Bank, the four largest U.S. banks, refused to say whether they use the same kinds of sales tactics that were employed at Wells Fargo (Peck, 2016a). As Beatrice Edwards writes, “[n]o single bank could opt out of [fraudulent behavior]. If, say, one bank went straight, it would show lower returns, capital would flee, the CEO would be terminated, and another one who could get it right would be appointed” (Edwards, 2014, p. 78). The problem is not a few “bad apples.” The whole basket is bad.

Killing people as collateral damage

Today some very large businesses deliberately pursue practices that eventually kill people, as the tobacco industry famously demonstrated (Herbert, 1997, p. 19). Lead, whose presence in children is strongly linked with lower IQs and a greater predilection for violence, was eliminated from paint and gasoline only after a long period of industry seeking to belittle and undermine scientists’ findings. Once the debate became public this effort even included placing cartoons in National Geographic and Saturday Evening Post celebrating how children benefited from lead paint. Gerald Markowitz and David Rosner (2013) write that “[a]dvertisements for Dutch Boy paint—which contained enough lead in one coat of a two-by-two-inch square to kill a child—depicted their two-headed mascot-painting toys with Father Christmas smiling over his shoulder.”

Auto manufacturers did not report design flaws that, if left unaddressed, would kill people (Durbin, 2014). The Ford Motor Company had information that, if implemented at a cost of \$11 per vehicle, would have decreased the possibility of the Ford Pinto from exploding. The company chose not to implement the design, even though it had done an analysis showing it would result in 180 fewer deaths (Leggett, 1999).

I could list many more examples, but I hope the point is clear. This is not what most of us would call normal behavior, and it describes the behavior of top people in many of America’s largest enterprises. Capitalism *as a system* selects for people who are comfortable with such behavior, if it is profitable. When combined with political power, this kind of system can lead to an integration of criminal, economic, and political behavior, and in fact it has.

‘Mafia Capitalism’

Journalist Chris Hedges coined the term “mafia capitalism” to describe the contemporary American political and economic system (Hedges, 2016). It’s a good call. Studies of the mafia in Italy indicate there has always been a connection between the mafia and commercial elites. As two contemporary researchers put it, “the mafia was and had always been considerably more institutionalized, modern, commercially engaged, and entwined with national as well as regional powerholders than we had previously imagined” (Schneider and Schneider, 2011, p. 3). While initially focusing on providing protection for illegal businesses, and then extorting money from legal ones as protection, there is no reason why the lines between legal and illegal economic activity would not be blurred.

From its very beginnings, trade has often been integrated with banditry and worse. The advent of modern economic organizations did not change things. The world’s first joint stock corporation, the Dutch East India Company, committed large scale genocide against the inhabitants of the Banda Islands, from which they obtained nutmeg. When some Bandanese objected to the company’s actions, Jan Pieterszoon Coen, the company’s head, ordered the quartering and beheading of every male over 15. When the company arrived the island supported about 15,000 people. Fifteen years later about 600 had survived (Thring, 2010).

Corporate capitalism is often said to be characterized by wage labor, but this is not so. In the United States, slavery had long been an important part of industrial production for the market, and played a key role in its industrial development (Beckert, 2018). The South’s economy was large-

ly agricultural because on balance cotton production was profitable. But, as with nonhuman tools today, slavery was employed wherever it was profitable, in private industry as well as in agriculture (Starobin 1970a, 1970b). Given this history, Hedges' term is not obviously an exaggeration.

We do not need to examine the Trump presidency for illustrations. The examples I use here almost entirely preceded him, and were characteristic of policies pursued by both parties. For example, Wikileaks' claim to possess documents proving Bank of America acted illegally may or may not have been truthful (Taylor, 2011). However, Bank of America's management reacted with considerable alarm to the possibility they did, and began working with three military contractors, Berico, HB Gary, and Palantir, to devise some means of discrediting Wikileaks. This occurred with and through the cooperation of the US Justice Department, whose General Counsel recommended the law firm Hunton and Williams to Bank of America to handle the crisis. This firm is a major player in Washington's lobbying and other politics and employs over 1000 attorneys. Hunton and Williams served as the intermediary between Bank of America and Berico, HB Gary, and Palantir.

These plans included fraudulently attacking not just people with whom they disagreed, but otherwise uninvolved family members. Research sent by Aaron Barr, HB Gary's chief executive, reported of one target, "[t]hey go to a Jewish church in DC," and "[t]hey have 2 kids, son and daughter" (Lipton and Savage, 2011). These reports read more like a stakeout by the mafia, even though it was perpetrated by corporations and the government.

These other contractors proposed spying on families, threatening people's careers, using malware computer viruses to steal private information, using fake documents to embarrass critics, and creating fake identities to infiltrate their targets (Lipton and Savage, 2011). An unjustly accused innocent party does not usually act this way, though a guilty one often does. That the U.S. Department of Justice *aided* a major corporation in defending itself against a threatened exposure of illegal behavior is evidence the distinction between the private and government sectors has ceased to exist under capitalism.

The United States Chamber of Commerce was deeply involved in plans to attack progressive groups such as Think-Progress, the SEIU, MoveOn.org, and other progressive groups. The Chamber of Commerce's attorneys worked with the same three military contractors—Berico, HB Gary, and Palantir—to devise a way of discrediting their critics (Keyes, 2011b). The tactics proposed also included

spying on families (Keyes, 2011a), stealing private information through malware computer viruses (Fang, 2011b), using fake documents to embarrass critics, and using fake identities to infiltrate their targets.

Referring to the Chamber of Commerce's activities, Richard Clarke, who had served in high level positions under both Democratic and Republican presidents (including as George W. Bush's "cyber security czar") remarked that "I think it's a felony, and I think they should go to jail." (Fang, 2011a). They did not.

In their *New York Times* account of these scandals Eric Lipton and Charlie Savage report:

Jonathan E. Turner, who runs a Tennessee-based business that gathers intelligence for corporate clients, said that companies nationwide relied on investigators to gather potentially damaging information on possible business partners or rivals. "Information is power," said Mr. Turner, former chairman of the Association of Certified Fraud Examiners. He estimated that the "competitive intelligence" industry had 9,700 companies offering these services, with an annual market of more than \$2 billion (Lipton and Savage, 2011).

Many CEOs engaging in legally suspect activities would have few moral problems cooperating with organized crime for mutual benefit. Or, for that matter, with a despotic state as many tech firms do when aiding China to control its population through perpetual surveillance (Schmidt and Feng, 2019).

Nor might the distinction between the corporate and financial elite and the mafia be all that great. The level of cooperation between the biggest banks and organized crime is often very high, and when they are caught at it, no significant sanctions are applied (Vulliamy, 2011).

The consolidation of the state

Organizations can take on a life of their own, redefining their purposes to fit their interests (diZerega, 2015). When it is in the interest of political organizations to bring society under their control, people motivated by fear and unreasoning patriotism willingly subordinate all their interests to governmental power, as America's Founders well knew.

Alexander Hamilton wrote in *Federalist* 8 that when war is frequent, popular governments must "strengthen the executive arm of government, in doing which their constitutions would acquire a progressive direction towards monarchy. It is of the nature of war to increase the executive at

the expense of the legislative authority.” If these conditions were prolonged, “we should, in a little time, see established in every part of this country the same engines of despotism which have been the scourge of the old world” (Publius, 1961). Randolph Bourne put the matter more succinctly in 1918: “War is the health of the state” (Bourne, 1964). Other than natural disasters, war is the crisis that most quickly creates a unified will able to override democratic procedures. And unlike such disasters, war can be deliberately planned.

Almost 200 years after Hamilton’s words, in 1961, during his final speech as president to the American people, Dwight D. Eisenhower stated that

[u]ntil the latest of our world conflicts, the United States had no armaments industry. American makers of plowshares could, with time and as required, make swords as well. But now we can no longer risk emergency improvisation of national defense; we have been compelled to create a permanent armaments industry of vast proportions. Added to this, three and a half million men and women are directly engaged in the defense establishment. We annually spend on military security more than the net income of all United States corporations.

This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence—economic, political, even spiritual—is felt in every city, every State house, every office of the Federal government. We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications (Eisenhower, 1961).

The military-industrial complex Eisenhower warned of has two major dimensions. First it strengthens *and hides* how much corporations and the government have entered into a mutually symbiotic relationship. Second, it enables an increasing escalation of violence against others, free from constitutional restraints.

As to the first, not only is the military budget by far the largest single element in government spending, it is often invisible, even in its most basic accounting practices. The Pentagon has *never* completed an audit. When Congress finally demanded an account of spending, the Pentagon admitted in 2016 it could not account for \$6.5 trillion worth of year-end adjustments to Army general fund transactions

and data. Further, the *Fiscal Times* reports no one admitted to knowing what happened to thousands of documents that should have been on file, but weren’t. The Inspector General’s study found that Defense Finance and Accounting Service “did not document or support why the Defense Departmental Reporting System . . . removed at least 16,513 of 1.3 million records during Q3 FY 2015. As a result, the data used to prepare the FY 2015 AGF [Army General Fund] third quarter and year-end financial statements were unreliable and lacked an adequate audit trail” (Pianin, 2016).

Weapons sales are an important part of our export economy. In 2011 overseas American weapons sales totaled \$66.3 billion out of a global market of \$85.3 billion. Russia was in a distant second place, at \$4.8 billion (Shanker, 2012). The military-industrial complex Eisenhower warned us about has cemented the alliance of government and corporations and with it massively strengthened the rise of capitalism, and, as Trump’s reaction to the Saudi murder of a journalist living in the U.S. revealed, arms sales rank as far more important than democratic liberties.

But not all such killing was by customers.

More killing for dollars

Even before World War II and the subsequent Cold War, corporations had been making extensive use of our military to serve their own purposes. The scale was smaller, afflicting the Caribbean and Central America for the most part, though the Philippines and China were also on the receiving end of American bayonets serving corporate interests. However, compared to today, the body count and corporate profits were smaller. Today, both deaths and profits are bigger.

Smedley Butler was the highest-ranking Marine Corps general in the first part of the 20th century, as well as the most highly decorated Marine of all time. Butler was also one of the very few two-time Medal of Honor recipients. Upon his retirement, Butler had the opportunity to look back on a career that, by military standards, remains unexcelled. He did not like what he saw.

In the journal *Common Sense* Butler summed up his military career:

I spent 33 years and four months in active military service and during that period I spent most of my time as a high class muscle man for Big Business, for Wall Street and the bankers. In short, I was a racketeer, a gangster for capitalism. . . . Looking back on it, I might have given Al Capone a few hints. The best he

could do was to operate his racket in three districts. I operated on three continents (Butler, 1935b).

In 1935 Butler wrote *War is a Racket*, exposing its use to make money for the powerful. He recommended

taking the profit out of war. The only way to smash this racket is to conscript capital and industry and labour before the nation's manhood can be conscripted. [...] Let the officers and the directors and the high-powered executives of our armament factories and our steel companies and our munitions makers and our ship-builders and our airplane builders and the manufacturers of all other things that provide profit in war time as well as the bankers and the speculators, be conscripted — to get \$30 a month, the same wage as the lads in the trenches get (Butler, 1935a).

Someone might object that Butler exaggerated, or that things are different now. Admiral Gene Larocque brings us to the present, and nothing has changed except the scale, which has gotten larger:

We've always gone somewhere else to fight our wars, so we've not really learned about its horror. Seventy percent of our military budget is to fight somewhere else . . . We've institutionalized militarism . . . In 1947, we passed the National Security Act. You can't find that term—national security—in any literature before that year. It created the Department of Defense. Up till that time, when you appropriated money for the War Department, you knew it was for war and you could see it clearly. Now it's for the Department of Defense. Everybody's for defense. Otherwise you're considered unpatriotic. So there's absolutely no limit to the money you must give to it (Larocque, 1997).

“Divide et impera”—divide and conquer

Societies only appear to be homogenous from the outside. Inside them many distinctions exist that are potential points of division. Preserving a larger framework that minimizes these potential fractures is a feature of a successful democracy. This is why democracy's domestic enemies and those whose political agenda cannot survive extensive public discussion *always* promote a sense of crisis and peril, so as to delegitimize opposition.

A key moment in the rise of the American state came during the Nixon administration when dividing the public became a matter of policy. Following advisor Pat Buchanan's advice, Richard Nixon deliberately sought to split the country, the better to exercise more power over it. The reason for this policy, as Buchanan explained, was to “cut the Democratic Party and country in half; my view is that we would have far the larger half” (Packer, 2008). By seeking to blur people's common identities as Americans while emphasizing and exaggerating existing divisions, the Nixon administration deliberately undermined the broad consensual foundation that made the U.S. constitution workable, verifying Madison's argument that factions would destroy democracies by seeking to divide the nation. The Romans had a famous phrase for this approach to acquiring and maintaining power: *“Divide et impera”*—divide and conquer.

The Nixon administration's “War on Drugs” is an example of this tactic. Years after the Nixon administration was no more, Nixon's chief domestic advisor, John Ehrlichman, told investigative reporter Dan Baum about the real motivation behind the war on drugs:

The Nixon campaign in 1968, and the Nixon White House after that, had two enemies: the antiwar left and black people. You understand what I'm saying? We knew we couldn't make it illegal to be either against the war or black, but by getting the public to associate the hippies with marijuana and blacks with heroin, and then criminalizing both heavily, we could disrupt those communities. We could arrest their leaders, raid their homes, break up their meetings, and vilify them night after night on the evening news. Did we know we were lying about the drugs? Of course we did (Baum, 2016).

The war on drugs led directly to the militarization of police departments, the routine use of SWAT teams for normal law enforcement, the killing of innocent people in drug raids, and the incarceration of enormous numbers of Americans for nonviolent offenses. In a six-month period, police in Pasco, Washington, with a population of less than 60,000 people, killed more people, including unarmed ones, than the police in the U.K., with 64 million citizens, killed in a year (King, 2015). Pasco is not unusual. Killings by police in America dwarf that by other police forces in the democratic world (Lartey, 2015). In addition, 20 percent of the 2.3 million people incarcerated in the United States are im-

prisoned for nonviolent drug offenses (Wagner and Rabuy, 2016). With 5 percent of the world's population, the United States now has over 20 percent of the world's prison population. From 1978 to 2014, America's prison population increased 408%, laying the groundwork for the expanding role of slavery by another name in this country (Starr, 2015).

From families to nations, every group contains forces making for cohesion and for division. In the United States, two major divisions exist, one division being the cultures of the North and the South, and the other between a rural agrarian society emphasizing hierarchies, boundaries, and relatively rigid social roles and status, and a newer, industrialized, more egalitarian urban society reflecting expanding equal relations between different racial, cultural, and religious groups (diZerega, 2013a). Buchanan and Nixon's strategy to divide required emphasizing these existing cultural distinctions between different groups of Americans while denying what we shared anything in common.

The civil rights era demonstrated that under any circumstances, these cultural divisions would make for internally stressful relationships. However, when continually emphasized, the divisions can grow to threaten society itself. The Nixon administration first made exploiting these divisions a political tool. Because this tactic served Republican electoral interests, every Republican presidential and many other campaigns since Nixon have done the same. In the process the Republican Party increasingly became dominated by the forces it originally sought to manipulate. Democracy as government by rough consensus became transformed into the rule of one part of society over another.

Dividing "real Americans" and the "silent majority" from blacks and hippies was an opening strategy to which Hispanics, Muslims, LGBTQ Americans, liberals, teachers, and even 'urban Americans' as a whole, have been added. There is always a new internal group to attack. A citizenry holding one another in deep distrust is a citizenry easily manipulated by those holding political office. Focusing on these distinctions diverts the public's attention from the ongoing military and economic unification of the economic and political spheres as the capitalist state strengthens its domination. A great many Democratic leaders facilitate this practice even if not actively seeking to exacerbate our internal divisions, for many are more beholden to Wall Street than Main Street.

In the 2016 election, for the first time in American history, a presidential candidate threatened to jail his opponent if he won, some of his advisers threatened to kill her, and he refused to say he would honor the outcome if he lost

because the elections would have been "rigged." In addition, Trump campaigned primarily as a strong leader who needn't describe his policies because he should be trusted. He has gone so far as to say "I have the right to do whatever I want as president." Such a statement is politically possible only in a deeply divided nation (Brice-Saddler, 2019). His appeal to many was linked not to what he was for but due to other Americans he attacked. No greater repudiation of the democratic ethos had ever publicly taken place in this country.

Once in office Trump has continued to undermine the legitimacy of elections, the press, and the judiciary. In addition, his policy of unrelieved lying has eroded any sense of a shared political world among the American people, attacking civil society at its core. Hannah Arendt (1951) wrote in her study of 20th century totalitarianism of the politics of the lie:

The result of a consistent and total substitution of lies for factual truth is not that the lie will now be accepted as truth and truth be defamed as a lie, but that the sense by which we take our bearings in the real world—and the category of truth versus falsehood is among the mental means to this end—is being destroyed.

Vaclav Havel made a similar point about these movements decades later:

Individuals need not believe all these mystifications, but they must behave as though they did, or they must at least tolerate them in silence, or get along well with those who work with them. For this reason, however, they must live within a lie. They need not accept the lie. It is enough for them to have accepted their life with it and in it. For by this very fact, individuals confirm the system, fulfill the system, make the system, ARE the system (Havel, 1985, p. 31).

Trump has built on a long series of actions and policies that have led in the same direction.

The Warfare State

There was no peace dividend after the Cold War. America's military budget continued to grow even in the absence of any credible enemy. The attack on Iraq was in the name of non-existent "weapons of mass destruction" accompanied by a call for "regime change." The weapons did not exist, but

less remarked on, this reasoning was irrelevant to those using it to justify attacking Iraq. North Korea told the U.S. in 2002 that it was developing nuclear weapons in violation of its 1994 agreement, and the Bush administration did nothing. But unlike Iraq, North Korea has no oil and did not interest big corporations.

“Of course it’s about oil; we can’t really deny that,” said General John Abizaid, former head of U.S. Central Command and Military Operations in Iraq, in 2007 (Corley, 2007). Alan Greenspan, former chair of the Federal Reserve, declared that “...the Iraq war is largely about oil” (Woodward, 2007). “People say we’re not fighting for oil. Of course we are,” Chuck Hagel said in 2007. Hagel was Obama’s Secretary of Defense, and when he spoke these words, he was also a Republican Senator from Nebraska. We know now that five months *before* 9-11 the U.S. government was seriously considering attacking Iraq for its oil (Mackay, 2002). These plans had nothing to do with making the oil available. Saddam Hussein never failed to sell Iraqi oil to the West because the money it brought in was the source of his power. But this was money that did not go to capitalist corporations. There have been at least 251,000 Iraqi deaths from the American invasion of Iraq, including between 165,368 and 184,184 documented civilian deaths. Capitalism is the reason.

Col. Lawrence Wilkerson, former Chief of Staff to Secretary of State Colin Powell, echoes Smedley Butler, objecting to “the corporate interests that we go abroad to slay monsters for.” While Americans are assured our military seeks to “defend freedom” Wilkerson emphasized our corporations cultivate close and profitable relations with some of the world’s most repressive regimes. The physical safety of the American people takes a back seat. Wilkerson asked rhetorically, “Was Bill Clinton’s expansion of NATO—after George Bush and [his Secretary of State] James Baker had assured Gorbachev and then Yeltsin that we wouldn’t go an inch further east—was this for Lockheed Martin, and Raytheon, and Boeing, and others, to increase their network of potential weapons sales?” He answered, “[y]ou bet it was,” adding that “[t]hose who deny this are just being utterly naïve, or they are complicit too” (Norton, 2016).

For those skeptical of claims by men such as Butler and Wilkerson, reflect that major American journalists such as Wolf Blitzer and Thomas Friedman agreed, but *praised* what these men condemned. In 1999, *New York Times* columnist Thomas Friedman made the same point, except Friedman *praised* what Butler and Larocque condemned:

The hidden hand of the market will never work without a hidden fist. McDonald’s cannot flourish without McDonnell Douglas, the designer of the US Air Force F-15. And the hidden fist that keeps the world safe for Silicon Valley’s technologies to flourish is called the US Army, Air Force, Navy and Marine Corps (Friedman, 1999).

Thomas Friedman was not alone. While questioning Rand Paul’s opposition to major arms sales to Saudi Arabia, one of the most repressive nations on earth, another mainstream media figure, Wolf Blitzer, asked “[s]o for you this is a moral issue, . . . you know, there’s a lot of jobs at stake. Certainly if a lot of these defense contractors stop selling war planes, other sophisticated equipment to Saudi Arabia, there’s going to be a significant loss of jobs, of revenue here in the United States. That’s secondary from your standpoint?” (Horton, 2018).

Today we are in incessant conflicts for vague and even inexpressible goals. Daily we are warned of enemies that 50 years ago would have been regarded as pipsqueaks. These conflicts justify increasing surveillance domestically as well as the militarization of the police. As in the old aristocracies, one set of laws exists for the powerful, another for the people. Like a zombie compared to a human, American ‘democracy’ still retains some of its outward appearances while its inner core is being transformed. Capitalism has integrated the market and the state into a new manifestation of power and subordination that would have horrified not only America’s Founders, but any president at least through Eisenhower’s time.

Permanent war establishes a state on the corpse of democracy, and it does not matter which party is in power. The parties may still compete, but do so over issues that divert attention from their common allegiance to capitalism and the warfare state. The political appropriation of the “culture war” is an example, as is the current obsession with immigration issues to the neglect of all others. And as we are seeing, once such divisions reach a certain degree of intensity, they take on a life of their own.

At the top, those breaking laws, whether by committing war crimes or economic crimes, are immune from serious prosecution. No efforts have been made to bring men to justice for committing crimes of torture Americans once executed others for committing. Instead Donald Trump campaigned on increasing its use. As for economic crimes, much was made of JP Morgan being fined \$13 billion in 2013 for fraudulent sales of mortgages before the meltdown

that ruined so many lives. Its stock prices were unaffected. Bank of America was fined even more: \$16.65 billion, and when the fine was made public, its shares *increased* in value. Much of these fines were tax deductible and their totals, enormous as they were to human beings, was paltry compared to the size of these corporations. They are simply a cost of doing business rather than a deterrent to breaking the law. Robert Reich describes these cases and many more in his *Saving Capitalism* (Reich, 2015, pp. 74-5).

John Perkins served many years overseas as, in his words, “an economic hit man” for the financial industry in its activities. Perkins defines the job he did for years, and which continues to be done by others, thusly:

Economic hit men (EHMs) are highly paid professionals who cheat countries around the globe out of trillions of dollars. They funnel money from the World Bank, the U.S. Agency for International Development (USAID), and other foreign “aid” organizations into the coffers of huge corporations and the pockets of a few wealthy families who control the planet’s natural resources. Their tools include fraudulent financial reports, rigged elections, payoffs, extortion, sex, and murder. They play a game as old as empire, but one that has taken on new and terrifying dimensions during this time of globalization. I should know; I was an EHM (Perkins, 2004, p. xi).

These warnings by Alexander Hamilton, Randolph Bourne, Smedley Butler, Dwight Eisenhower, Lawrence Wilkerson, and John Perkins extend across over 200 years, and repeat the same message. The alliance of government, corporations, finance, and the military is fatal to the values on which the United States was founded and to the civil society that sustains them. James C. Scott’s comparison of the early state as a “stable protection racket” appears to be as true today for the capitalist state as it was thousands of years ago in early agricultural city states (Scott, 2017, p, 241).

CONCLUSION

This paper has argued that the traditional identification of democracies with states is an error on the level of that equating organizational economies, such as corporations, with economies in the more all-inclusive sense. States are organizations and democracies are in almost every case spontaneous orders. They only resemble states in those periods of crisis where a national emergency creates a temporary unity of will that departs when the crisis is resolved.

Organizations in democracies, like organizations in any spontaneous order, stand in a complex relation to them because the very coordination and discovery processes that can bring an organization to success can also destroy it if it fails to adapt to changes it cannot control. Consequently, organizations in spontaneous orders, if they can, will sometimes seek to exert greater control over them, reducing uncertainty.

In the case of democracies this tension exists at two dimensions. First, political parties will often seek to change electoral rules to weaken opponents and strengthen themselves. Second, organizations seeking political aid to strengthen them within their own spontaneous orders will seek political allies to change the rules in their favor. The most important such organizations are the corporations that characterize capitalism.

When parties and corporations are in close alliance, as is the case in the United States today, the sphere of free political activity is gradually diminished, with the potential, and at this point more than potential, creation of an oligarchic state seeking to bring the rest of the democratic process under its control.

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