

Chapter 8 A model of “the stateless state”

8.1 Basic principles of law

Our previous consideration of the mechanism of functioning of society and its economy has been conducted on the assumption that people absolutely respect the natural right to life of every human being and the resulting right to property, as well as the right to freely shape the quality of their lives according to their own preferences under the condition of not harming the quality of life of others. With this assumption, no institutions of legal protection were needed in this model. Now we abrogate this assumption by recognizing, in accord with the facts, that in every society there are a certain number of people who violate the right to property and often also violate the right to life of others. And because these two rights are the foundation upon which the quality of life of every human being rests, the need arises for a system of protection of the rights and freedoms of every human being in our model.

It is worth remembering that every human being has the absolute freedom to choose his or her goals and ways of achieving them, which is referred to as the positive freedom or “the freedom to...”. Therefore, no one is able to either effectively prohibit or effectively command any form of behavior. If, therefore, there are some forms and ways of counteracting behaviors undesirable from anyone's point of view, including penalization of such behaviors on the basis of any legal system, they may serve *ex ante* at most as a deterrent, while *ex post* - as a form of retribution for exceeding the prohibition.

On the other hand, it is not possible to guarantee effectively to anyone that his rights, whatever their source, will not be violated, because the so-called negative freedom, also known as “the freedom from ...”, does not really exist. Under this concept, which is usually defined after J. Locke (1690, Chapter 4) as a state in which a person is not subject to coercion by the arbitrary will of others, one can put at most a human dream that such a freedom would in fact be the case. The only case in which man possesses the freedom understood in this way is that of Robinson Crusoe from the famous novel, and that only up to the moment when Friday appeared on his island. In every other case, a person is dependent on the arbitrary will of others regardless of whether or not this is consistent with any legal system, and regardless of whether or not the person perceives it as oppression. Other people are always the same objectively existing element of the environment as plants or animals, and their behavior is, from the point of view of a particular person, essentially of the same unpredictable nature as acts of *force majeure*, regardless of whether or not their actions with respect to that person are intentional or unintentional. It is worth adding that there doesn't also exist the special kind of “freedom from”, namely the freedom from negative and unforeseen consequences of one's own behavior.

Starting from such positions, we now introduce a state into our model, treating it, however, not as an institution that is a subject of law but as a system of legislation and law enforcement. We will call this model "the stateless state". Such an approach results from the axiom assumed at the beginning that the only real person in the material animated world is a human being and only he can be the real subject of rights and duties. The sole task of a legal system understood in this way is to protect the life and property of every person and to protect his right to freely shape the quality of his life according to his own will. The right to such freedom ends where the equally understood freedom of other people begins.

The primary and natural source of property rights, as discussed in paragraph 4.1, is life as a phenomenon, since the fundamental condition for the survival of any living being is the ability to appropriate that which serves to sustain life. Otherwise, the existence of life is not possible. It is for this reason that all living beings defend the ownership of what they have acquired for this purpose. In turn, absolute respect for the right to life and the right of ownership of the results of each person's efforts is the sine qua non condition for the possibility of arranging life in one's own way.

Human beings are distinguished from other living beings primarily by their reflective consciousness and the morality which results from it. Being aware of his own existence, man - or at least some representatives of the Homo sapiens species - is capable of reflecting on the sense of this existence and its conditions, as well as on the role he has to play in his life. For without going into the essence of life itself, it seems to be a means to an end rather than an end in itself. Consequently, the fundamental moral imperative of man is, at the very least, not to prevent others from pursuing that end. Such an attitude seems most appropriate in view of the fact, already mentioned, that no one can know the purposes of other people's behavior without their declaring it.

In our model society, the natural right to life and the concomitant natural right to own the results of one's own efforts form the basis for specific laws. It is created by searching in every conflict situation for solutions that allow everyone to exercise his full rights as long as he does not harm others. The solutions reached, as precedents, become binding law. In this way, the law prohibits and sanctions any behavior that constitutes an attack on the life or quality of life of others. In short, the function of the law in the model of society under consideration here is to punish those who use their freedom in ways that harm the freedom of others. In a legal system constructed in this way, the fact that everyone is unfettered in his positive freedom (freedom to do something) is considered objective, but at the same time sanctions are threatened when the exercise of that freedom results in an infringement of the quality of life of others.

It is worth noting in this context that the strict observance of the right of each person to build the quality of his life according to his preferences subject to the condition of not harming the quality of life of others makes that whoever acts for his own good, thus acts to improve the quality of life of the whole community. The quality of life of a community improves whenever the quality of life of at least one member of that

community improves, but only if the quality of life of others does not deteriorate as a result. Community improvement activities that forcibly violate this condition are always a disintegrating factor for such a community.

It is obvious that in order to create such a legal system, it is necessary to have adequately prepared people - judges. Without going into the details, we assume that in our model there is some generally accepted system for appointing certain people and entrusting them with the functions of judges. These functions carry with them certain powers of authority. However, for the reasons given above, such powers are limited only to arriving at decisions and thus creating binding laws, and to possibly imposing certain sanctions for their violation. On the other hand, the execution of judgments and court decisions against those who break the law is carried out by people who work (serve) in law enforcement institutions. Court proceedings are initiated in this model only at the request of the injured party or his legal guardian. This conception of the state excludes the expediency and possibility of the existence of more than one state on a global scale¹.

The legal system of the model community described here does not place anyone in a privileged position over others. It also precludes any individual or group of individuals from pursuing any of their goals at the expense of others against their will. On the other hand, this system does not guarantee anyone a healthy life, property, or freedom from the effects of the arbitrary will of others, because - as mentioned above - no one is able to keep such guarantees. The only real task of such a system of law, therefore, is to deter with sanctions attacks on these values and to eliminate with such sanctions those who have knowingly committed such an attack.

For the same reasons why the model of society considered so far has been supplemented with a legal system called "the stateless state", the system of credit money must be modified. So far the model of this system assumed the right of every person to unlimited indebtedness on his settlement account. This resulted from the assumption that each person obeys the basic principle of market exchange, which is the principle of reciprocity, and therefore exercises this right so as not to leave behind unpaid obligations. But now that the assumption of people's absolute honesty has been abrogated, the rules of the system must be modified because the easiest way to violate this principle, that is, to violate in essence the right of ownership, would be to use the payment card as an instrument for extorting goods and services by people with no intention of ever earning an income.

Therefore, we introduce an overdraft limit into our payment system. The amount of this limit depends on the individual creditworthiness of the person. Without going into the technical details, we assume that the system effectively prevents both the defrauding of goods and services with a payment card and the defrauding or stealing of funds from a

¹ It is, of course, a utopian model, but the assumption that is made at the very beginning allows us to omit in our deliberations the influence of those factors that result from different political solutions of particular states and political relations between them.

card account, without, however, diverting the possibility of automatic indebtedness in that account within the granted limit when needed by those who comply with the applicable rules. In using market exchange to meet their needs, market participants do not incur any obligations outside the payment system. Conversely, those who do not follow the rules do not have the ability to use the monetary system for criminal purposes².

The modification made does not in fact change either the rules of the market or the rules of the monetary system in the model of society considered here. Although in the previous variant of the model, in which the absolute honesty of all was assumed, there was no formal limit, each person determined his own limit, following the so-called common sense. Otherwise, the settlement of unpaid obligations would burden the heirs, which conflicts with the elementary sense of responsibility for one's own choices and fairness to those heirs.

Now, after modification of the rules of the payment system, the same protective function is performed by the formal limit. However, there are no changes in the other principles of the system, namely, the principle of immediate debiting and crediting of counterparties' accounts with the amount of transactions, and the prohibition of incurring liabilities from transactions by non-natural persons and dependents. Apart from the institution responsible for the smooth and safe operation of the payment system, which may be called the global clearing bank, there are no other financial institutions and no financial instruments in this model of economy.

8.2 Public Sector, Private Sector, Market for Public Goods and Market for Private Goods

The introduction of the legal system called "the stateless state" into our model of society causes changes in its social structure as well. Up to now, it was assumed that all members of this society occupied an equal position within it with respect to the others, and the overriding principle limiting their actions was that of not harming others. Under this assumption, the aim of all human activities was to satisfy one's own needs in the broadest sense of the term, also when relations were established with persons outside the circle of closest persons. This means that all actions took place in the private sphere of each person. However, now, in addition to the private sphere, a public sphere must appear, because a number of people perform the public functions of judges. Consequently, each judge must act in two spheres. As representatives of the state, that is, in the public sphere, judges act directly or indirectly to protect the quality of life of others. For this reason, they have certain powers of authority. In the private sphere, on the other hand, they have no privileges because the purpose of their action in this sphere is to ensure the proper quality of their own lives.

² It is worth recalling that participation in the system of market exchange is entirely voluntary and conditional on compliance with its rules, but it is not the only way to acquire goods and services to satisfy one's needs. In all circumstances, there is a second way, which is self-sufficiency.

There are two basic models of the relationship between these two spheres of activity of judges. The first is the one in which the number and importance of the cases that have to be judged are so great as to require those who serve as judges to devote themselves entirely to this sphere of activity alone. In such a case they would have no opportunity to take care of the quality of their lives in their private sphere. Their activities in the public sphere would thus have to become for these persons the primary source of income necessary to satisfy their private needs. Thus, it can be said that in such a case, judges must "earn their living" by practicing the judicial profession. The degree to which their private needs are satisfied is thus, in such a model, dependent on the amount of income they earn from their activities in the public sphere.

The second model is the one in which the need to resolve disputes or try criminals who break the law occurs sporadically, so that such cases are handled by individuals or groups appointed on an ad hoc basis, who perform the duties of judges in an unpaid capacity. In this variant, activity in the public sphere constitutes only a margin of the activity of those who are appointed as judges on an ad hoc basis, and has no significant impact on what they do in their private sphere or what results they achieve there.

There are many possible in-between these two extreme cases, and the natural direction of the evolution of the public sphere in the model of civilization under consideration here seems to be that which leads from the first to the second model. For if we assume that the development of civilization means a process of improvement in every sphere of human life, then it should also be manifested, among other things, in a decreasing number of cases that require the intervention of persons acting as judges. As a result, the share of matters belonging to the public sphere in the total activity of those persons should also decrease. Thus, given the above-mentioned fact that the only area of activity of the public sector is to protect the life and property of every person and their right to freely shape the quality of their life according to their own will, the entire public sector should shrink as civilization develops in such a way³.

The distinction between the private and public spheres of those who serve as judges corresponds to the distinction between the public sector and the private sector. Each has a subject and object side. On the subject side, the public sector includes all judges insofar as their actions concern the public sphere. The object side of the public sector, on the other hand, consists of all tangible and intangible assets necessary for judges to carry out their public functions. Whatever judges do within their functions in the public sphere implies public sector activity.

The private sector in terms of subjects consists of all people acting to satisfy their own needs, i.e. acting in the private sphere. It therefore also includes judges when they act in their own affairs. The object side of the private sector, on the other hand, is made up of everything that does not belong to the public sector and that is or can become the object of individual or group ownership.

³ It would be a case of the Wagner's anti-law.

The above division into public and private sectors necessitates another modification of the model, this time in the realm of goods and services. In the considerations so far, all goods and services had only one purpose: to satisfy various human needs, and they could only differ in the way they were acquired; some were acquired by oneself, while others were acquired through exchange with other members of the community. Now, however, a new type of goods and services must be introduced, namely, public goods and services. In this category, however, we shall include only those goods and services which are necessary for the performance of public functions by judges, but which are not needed for anything in the private sphere.

Therefore, the following discussion will distinguish two types of goods and services from the point of view of their purpose, namely, public goods and private goods. The former are goods and services that serve judges exclusively for the performance of their public functions. Thus, the category of public goods will include, for example, the services of employees of courts and other public institutions, the services provided by police officers, prison guards, and services similar to them, as well as the buildings and other facilities, materials, tools, computer programs, and other equipment they use. By definition, no one outside the public sector is interested either in using such services or in owning and using tangible and intangible goods that fall into the category of public goods.

The second type of goods and services, private goods, are those that serve to meet the needs of people as human beings, that is, the needs of all members of a community, whether they operate in the private or public sphere. These goods may be produced and traded on the market, but they may also be produced or obtained from the environment individually, for own needs only. Private goods that are the subject of market transactions will be referred to as private market goods. The fact that some private goods may also be used to perform tasks in the public sphere or to produce public goods does not alter their classification as private goods.

Since public goods are needed, someone must produce and provide them. Therefore, suppliers of public goods must also be introduced into the model of “the stateless state”. This group includes all producers of commodities intended exclusively for the public sector and merchants who trade in these commodities, but also all employees of the public sector, regardless of their positions. All these people are participants of the specific market, which is the market of public goods. Its peculiarity lies in its monopsony character; there are many suppliers and the only recipient of the goods and services offered there is the public sector. None of the suppliers of public goods is therefore able to sell their products outside the public sector.

Considering the purposes and effects of acting in the public sphere, a clear distinction must be made between a person's holding a public function as opposed to working in the public sector. The former term here refers only to persons performing the public function of judges, while the latter refers to all persons employed in the public sector. Acting as a judge means a person's activity in the public sphere. As already stated, the

exclusive purpose of this activity is to protect the quality of life of others, regardless of whether the judge performs his or her function professionally and for a fee or socially and unpaid. The effect of a judge's activity in the public sphere is the law that is made, which applies to everyone.

There are two reasons why lawmaking cannot be thought of as some kind of service, that is, a product that judges create and pass on to the rest of the community for a fee or free of charge. The first reason for this is that the remuneration, if any, paid to judges for their activities bears no relation to either the quantity or the quality of their actions, as is the case with all market goods. It is therefore not a payment for their services, but a form of tribute that the community decides to give to the judges for performing this function. Its purpose is to provide judges with a material existence at a level deemed appropriate under the circumstances. The second reason, however, is even more important, namely, that the effect of a judge's action, i.e. the judgment issued, which then becomes binding law, cannot be ignored or rejected, as is the case with any tangible or intangible product of work offered on the market. Nor can the law become an object of property. Law does not belong to the world of goods, and the salary paid to judges is not payment for the service of creating and enforcing the law. The remuneration paid to the judge is therefore not income in the literal sense of the word. Nevertheless, such remuneration, if paid, is always a source of funding for each judge's private expenses. For this reason, we will continue to treat judges' salaries on a par with the income of the other members of our model.

A completely different case is that of people working in the public sector. Regardless of the function one performs there and regardless of the tasks carried out, the remuneration paid is always payment for a service rendered, i.e., for the product of the work of a person employed in the public sector, which is needed for the entire system of lawmaking and law enforcement to function properly. The service of each person working in the public sector is, in its essence, the same product as all other tangible and intangible goods provided for a payment by their producers for the needs of the public sector. Public sector employees are therefore supply-side participants in the public goods market along with producers of other public goods. The goal of all providers of public goods and services is always to ensure the quality of their own lives, and selling the products of their labor to the public sector, i.e., acting as a supply side player in the public goods market, is a means to this end.

By selling the products of their work to the public sector, both employees of this sector and other suppliers of public goods derive their income from the state budget. Therefore, it is understandable that the upper limit of the public sector expenditures is determined by the amount of budget revenues. This obviousness results formally from the principles of the credit money system adopted here, but the substantive justification of such principles is the basic function of money which it performs in market exchange processes, i.e. the function of a guarantor of reciprocity of exchange. This function, in turn, can be fulfilled only when no one except people - the only real subjects of rights

and obligations - has the right to get into debt. Thus, in our model, it is not possible for the public sector account to have a negative balance.

Nor can the second obviousness be disputed - that the public sector can only have what it takes over from the private sector. To see this, one need only start at the hypothetical point at which the public sector is created in the model considered here, that is, when the first judges are appointed to carry out the tasks of that function. At such a point, the only elements of the public sector are judges with their knowledge and skills necessary to perform these functions. If we assume that activity in the public sphere requires these individuals to be completely dedicated to this service, it becomes clear that the rest have to provide them with all the market goods necessary for a decent life in the private sphere. For, as already mentioned, the only output of the judges in the public sphere are the judgments and rulings in the cases decided, which in no way can be a saleable product and therefore neither directly nor indirectly can provide them with a livelihood. Here, then, the matter is clear; the very existence of a public sector in such a minimal structure consisting solely of judges requires that they be provided with an adequate monetary emolument to ensure that they can purchase needed market goods and services in the private sphere. The source of funding for these emoluments can only come from tributes to the public sector from other members of the community

In order to perform their functions in the public sphere, judges need a variety of tangible and intangible goods and services, that is, what has been classified as public goods. It is clear that they will not buy such goods from their personal income derived from emoluments. Therefore, they must have additional funds for these purposes. Their source can only be income taken from the private sector. Hence, the second element of the public sector is initially the money placed at its disposal, from which are then financed the purchases of various tangible and intangible goods necessary for the proper functioning of the public sector. Ultimately, therefore, the tangible element of the public sector is its assets, which consist of transferred cash and tangible components of these assets.

The possession of various assets in turn generates further needs of the public sector. On the one hand, these assets have to be managed by someone, so employees are needed to take care of them. On the other hand, some of these assets, such as real estate, vehicles, etc., require other goods, so-called complementary goods, in order to perform their functions. If we add to this the need for administrative and organizational services for judges, we get a picture of a public sector whose various needs must be financed, and the only source that ensures this are the tributes to the public sector paid by all members of the private sector except judges⁴.

From what has been written above about the public sector that has emerged in our model, it is clear that it is a system consisting of four elements. The first element of this system is the judges, the only subjects of this system. The second element is the tangible and intangible goods and services, both public and private ones, necessary for judges to

⁴ Otherwise, judges would be paying tribute to themselves, which is rather pointless.

perform their functions. Public goods are provided by their producers and public services are provided by public sector employees. The third element of the system that is the public sector is the organizational structure that conditions its functioning. The fourth element is the set of rules and legal norms that regulate the functioning of this structure. However, it is worth emphasizing that neither public sector employees nor public goods suppliers belong to the public sector. They merely provide it with the goods and services needed for its operation, but they do so as private sector entities.

The consequence of the distinctions made above is the division of public sector needs into two categories, to which two categories of public expenditure correspond. The first category of needs make personal needs of the subjects of this sector, that is, the needs of judges as human beings. These needs must be met from their personal income. With the assumption made above that judges devote themselves entirely to activities in the public sphere, the only source of this income is the emoluments paid to them. The personnel expenses of the public sector are for this purpose.

The second category of public sector needs is the needs of judges as public servants. As already mentioned, a variety of tangible and intangible goods and services are required to meet these needs. The latter category includes both services provided by external entities and by public sector employees. Both are products sold by private sector entities. It is worth emphasizing in this connection that although the wages of public sector employees are commonly counted as personnel expenses, they are in fact payment for the results of their work, not for the fact that they work⁵.

As can be seen from the above considerations, the introduction into our model of a system of law-making and law-enforcement, which has been called a "stateless state", entails the need for a system of supplying the public sector with the resources necessary for its activities and a system of their distribution and disbursement. Thus, the institution of the state budget with its necessary attributes must emerge. Budget funds are needed for the purchase of goods, both public and private, without which the public sector could not fulfill its tasks. Leaving aside the question of organization and territorial structure of this budget, the size of the public sector determines the demand for these funds. These, in turn, are a simple derivative of the number of crimes and offences against life and its quality, as well as the number of litigations on this background. For these are, as already mentioned above, the only cases in which judges, as public officials, enter into our model at the request of the injured parties. The system of feeding the public sector is nothing but the system of setting and collecting taxes. The only tax system which can be reconciled with the principles of the model considered here is the system based on a head tax. This type of tax does not interfere with anyone's

⁵ There is a complete analogy here to what was written in sections 7.7 and 7.8 on the nature of the entrepreneur and his employees. What is of no importance is the fact that many of these effects are immeasurable or amorphous. For example, the effect of an accountant's work is immeasurable, which does not change the fact that the effect of his work, paid for by his employer, private or public, is the correct posting of economic events or the timely preparation of financial statements. The effect of a cleaner's work, for example, is amorphous, which does not mean that she gets paid for her work and not for its effect, which is cleanliness, order and tidiness.

preferences concerning his quality of life, and at the same time it meets the condition of proportionality of input and effect; since every member of this community enjoys the same protection of his rights, he must bear identical costs of this protection.

Finally, it is worth emphasizing once again that the effects of the activities of persons acting as judges in the public sphere are of a completely different nature than the effects of their activities in the private sphere. First, as noted above, when acting in the public sphere, judges are acting to protect the quality of life of others and not, as in the private sphere, for their own quality of life. Second, by virtue of precedent, the judgment handed down in a given case then becomes a legal norm binding both on the parties to the particular trial directly affected by the judgment and on those who are or will be in a similar situation. This in turn precludes the possibility of treating the effect of a judge's actions as a product given to society, regardless of whether the judge receives remuneration for his activity or performs his function gratuitously. The essence of any product is that the party for whom it is intended may not enter into the transaction, and when a donation is involved - may not accept it. In contrast, as already mentioned, a legal norm cannot be disapproved (rejected), it can only be broken, and the consequences of this must be borne.

To this argument one can add another reason why the activities of judges cannot be treated as the rendering of services by them. This is the fact that a demand for a judge's legal interference by a person who believes that his or her rights have been violated does not imply an offer by that person to the judge, as is the case in the market for goods and services. For the judge cannot reject such a request. While in the market for goods and services both parties are bound by the principle of voluntary entry into the transaction and the principle of reciprocity, in the case of legal protection judges must act when requested by the person seeking such protection, without the right to demand any reciprocal benefits from him. The legal protection against attacks on the quality of life of every human being therefore belongs neither to the category of market goods nor to that of public goods. The legal protection of all people against attacks on their freedom, understood as the right to shape the quality of their lives according to their own criteria and on condition that they do not harm the quality of life of others, is from the personalist point of view the only purpose which the State has to serve and the only reason for its existence.

As can be seen from the discussion, the public sector has a servant function to the private sector in the model considered here. As human beings, judges representing the public sector have no rights other than those they have as members of the community. Their powers of authority concern only making and executing the law and only when someone asks for appropriate intervention. It is man who is the subject of law and only man can assert his rights against another man when he deems it advisable. He may also, in certain situations, give up asserting his rights for whatever reason, and no one has the right to challenge such a decision.

The subservient role of the public sector concerns the sphere of the fundamental rights of the human person, which exist objectively as a consequence of the existence of life. The activity of the public sector is thus not to create anything. Just as the task of an airplane builder is not to create the laws of aerodynamics or the laws of other physics disciplines, but to construct flying objects based on the discovered laws of the field, so the task of the public sector is not to create human rights, but to construct social life based on knowledge of existing natural laws. The laws of physics appeared together with the material world as one of the manifestations and at the same time as a sine qua non condition of its existence. On the same principle, that is, together with life, appeared the natural rights of all forms of life, including the natural rights of man as the highest form of life in the material world.

Ignorance of the laws of physics does not make life easier for anyone, and actions against these laws usually end in disaster. It is the same with natural human rights, which derive directly from the natural right to life, i.e., the natural right to property and the natural right to freely shape the quality of one's life according to one's own criteria. One can disregard these rights, one can try to pretend that they do not exist, and one can try to create the own ones. This does not mean, however, that such attempts will cause these objectively existing "original rights", to cease to operate, and human-made laws to take their place. A man who does not know natural laws deserves to be called ignorant, or at worst, a fool, while a man who claims there are no natural laws, including natural human rights, is a dangerous madman. The history of human civilization proves that madmen have had and continue to have an overwhelming influence on its development.

8.3 Relationships between sectors in the model of the "stateless state"

As already mentioned, one of the effects of the introduction into our model of a system of law called here "the stateless state" is the emergence of a market for public goods. On the demand side there is the public sector in this market, or more precisely, those persons acting on behalf of and for the account of the public sector, in order to provide it with what is necessary for its smooth operation. On the supply side, there are those in the private sector who have decided to earn their living somewhat differently from the rest, namely by offering specific public goods or services. However, this does not mean that they do it for a different purpose than the rest. Their sole purpose is to earn in this way the income necessary to finance their own needs. They differ from the providers of private goods only in the destination of their products, which is by definition the public sector, the only buyer of these goods.

Although the market for public goods is formally a monopsony, i.e., a market with a single buyer, in the model reality it is formed by many local markets scattered throughout the earth, and in each of them the buyers are persons holding public functions of judges in a given place or their representatives. It differs from the private goods market only in two respects. First, the goods offered therein are used exclusively by judges to perform their tasks in making and enforcing the law. Second, these goods are not purchased with the personal income of those who perform these functions, but

with public funds, which come from tax revenues. This fact is of some importance from the point of view of the purposefulness and effectiveness of the use of these funds, since funds obtained from the sale of the effects of one's own effort are spent somewhat differently from those that do not involve such effort.

In the first case, everyone knows how much effort they had to put into achieving a given amount of income and thanks to that they are able to assess whether the price the seller demands for a given good is worth the effort or not. Such an evaluation is of course subjective, as it cannot be otherwise, but it usually leads to greater prudence in spending money. This is facilitated by the fact that in the market for private goods there are usually many other alternative goods that can be bought for the same amount. In public spending, on the other hand, such a mechanism does not work for two reasons. The first is that the person who decides to spend a certain amount of money on some public good does not work to obtain it, and so has no direct personal point of reference. The second factor is that the public good being purchased often has no market competitors, or at best not as many as private market goods. As a result, public funds tend to be spent somewhat more imprudently than personal funds. This is true for both material and personal expenditures.

Once the public sector is introduced into our socio-economic model, we therefore have two markets that differ in the destination of final goods: the private goods market and the public goods market. In the public goods market, the only buyer is the public sector. In contrast, in the private goods market, both private sector individuals and individuals acting on behalf of the public sector act as buyers. However, the suppliers in both these markets are private sector individuals. Because the public sector does not create any products that could be the source of its revenue, the only source from which public spending can be financed is the revenue appropriated through taxation from the private sector. In this sense, public spending is competitive with private spending because those revenues that are appropriated to the public sector will return only in part to the private goods market. The rest, usually the greater part, will be spent in the public goods market. Due to the principles of the monetary system in the model, the credit money system, the amount of revenue taken over by the public sector naturally sets an upper limit for spending in the public goods market.

The modifications made, however, do not change anything in the very mechanism of functioning of the private goods market. Both in the previous variant and now, anyone who wants to acquire needed goods in the market has to act in two roles, as a seller and a buyer. This follows from the fundamental principle of market exchange, which is the principle of reciprocity. This principle makes the possibility of buying desired products from other market participants dependent on earning income from the sale of such own

products that they consider necessary⁶. Let us stop for a moment at this condition, because very important consequences follow from it.

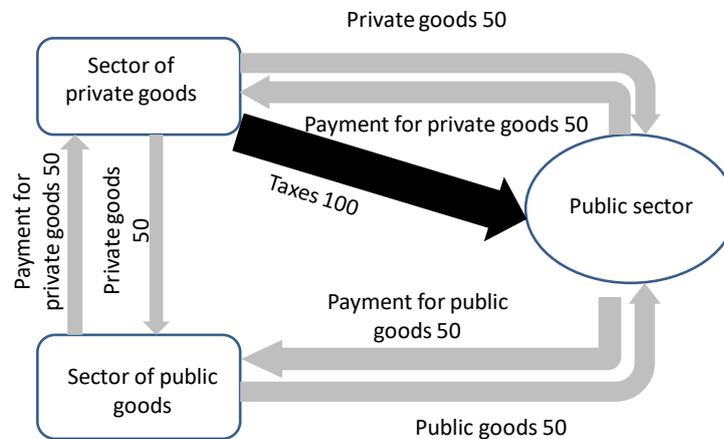
The introduction of the public sector into the model analyzed here caused that to the two sources of people's income that existed in the previous model, i.e. the production and sale of private goods and the rendering of private services, another three have been added. They are: public service as a judge, production and sale of public goods and rendering public services, where the latter means working in various positions in the public sector. Thus in the modified model a number of people derive income from these three sources.

This fact causes certain modifications in the relations prevailing in the market for private goods. According to the principle of reciprocity of exchange, everyone creates his products and offers them on the market solely in order to finance the purchase of private goods and services necessary for his life from the income generated from their sale. The same motive guides all providers of public goods and services. They, too, are driven by the sole purpose of generating income so that they can buy what they need to live. Providers of public goods and services thus behave just like participants in the market for private goods; according to the principle of reciprocity, they give the equivalent of the private goods and services they buy on the market in the form of goods and services produced by their own labor. The point is, however, that this equivalent in the case of public goods does not go as payment to the private sector, but is sold to the public sector. The public sector, in turn, pays for these goods with revenue collected by the budget from private goods market participants through taxation. The supply of public goods is thus at the expense of private goods market participants.

The mechanism of flows between the public sector and the private sector described above is well illustrated in Figure 2. In this figure, the private sector is divided into two separate sub-sectors (markets); the sector of private market goods and the sector (market) of public goods. The grey arrows mark the flows that result from transactions between the public sector and the private sector and between participants of the private goods market and providers of public goods. It is clear that both the flow of private goods and the flow of public goods correspond in each case to an equal stream of money flowing in the opposite direction as payment for supplies. Thus we are dealing here with reciprocal economic benefits. It can also be seen, however, that the source from which all purchases by the public sector are financed are taxes. These, in turn, are always in the nature of unilateral and coercive contributions from private sector individuals to the public sector. The figure shows that taxes are borne exclusively by participants in the market for private goods (black arrow). It cannot be otherwise.

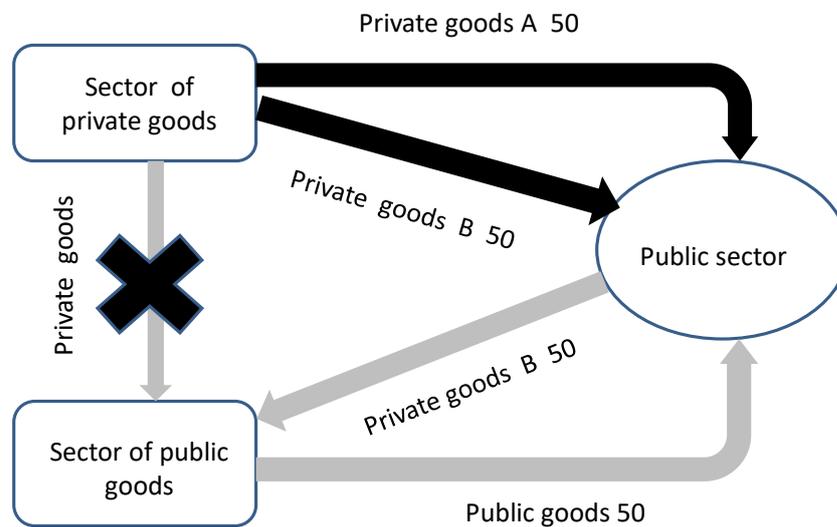
⁶ In the original version of the model (without the state) this coercion resulted from the assumption of absolute honesty of the members of the community analyzed here. However, in the current version, i.e. in the model with the "stateless state", it results from the established individual debt limit, which enforces reciprocity on pain of exclusion from the market.

Figure 2: Scheme of flows between sectors in a monetary economy



To dispel any doubts that this is in fact the case, it suffices to exploit the fact that in each of the economic sectors appearing in the model there are offsetting cross-sectoral money inflows and outflows. Thus, if we remove these monetary flows as having no effect on the final outcome, we obtain a model of the economy based on barter in which only flows of goods and services can occur. In such a model, people can also exchange goods and services, and the state can impose and receive tribute payments in kind. This, of course, poses a number of well-known problems that boil down to the necessity of satisfying the coincidence condition already mentioned, but it is possible. It is confirmed by the actual history of countries of this world. The only thing impossible in such a model are transactions between participants in the market of private goods and those who create and provide public goods. The latter, by definition, are not needed for anything by "ordinary" people, so no one would be willing to give up their products in exchange for public goods. That is why the direct flow of private goods between the participants in the market of these goods and the suppliers of public goods has been crossed out in the scheme 3. The only way for providers of public goods to obtain private goods in such conditions is to receive them from the public sector. Thus, the logical condition for someone to decide to create and provide public goods in such a model would have to be for the state to "pay" for them with private goods. This can be seen in Figure 3. In the model depicted there, the public sector collects tribute from participants of the private goods market, part of which - private goods A - is used to satisfy needs of people serving as judges, and the other part - private goods B - is used to pay for public goods necessary for the proper functioning of the whole public sector.

Figure 3: Scheme of flows of goods in the model of moneyless economy



Here, there is no longer any doubt that all the goods and services needed by both judges and providers of public goods and services to live can only come from people acting in the sector of private goods. Money only makes more difficult to discover this truth.

It follows logically from the discussion above that the costs of the existence and operation of the state are borne solely by participants in the private goods market. It is irrelevant to the truth of this thesis whether taxes are paid by all citizens or only by those in the private market goods sector. If, according to the logic of the head tax, which is the only tax in the model considered here, it is formally paid by all, i.e., also by public sector employees and suppliers of other public goods and services, then the only result is the idle flow of the same sum in opposite directions: first from the budget to the suppliers of public goods as an element of the price paid by the state, and then back to the budget as a tax. The part of the budget revenue that comes from the tax paid by the suppliers of public goods has in such a case the character of apparent revenue.

The formal consequence of the described state of affairs is that any increase of employment in the public sector must imply - ceteris paribus - automatic changes in three areas. The first area is the subjective structure of both sectors (markets), the second area is the supply and demand in the market for private goods, and the third area is the fiscal burden on participants of private goods market.

The fact that an increase of employment in the public sector causes a change in the subjective structure of both markets follows from the very essence of such a process and from logic. For if, given the size of two sets of heterogeneous elements, we transfer a certain number of elements of one to the other, both the size and structure of each set must change.

It is equally clear that the mere fact that a number of people move from the private goods sector to the sector providing public goods - *ceteris paribus* - does not change either the size or the structure of demand for private market goods. Those who have moved to the public sector as providers of public goods still have the same needs as people. Possible changes in this respect are not directly related to a change in the place where income is earned.

What will certainly change in such a case is the size and structure of the supply of private market goods. This is again due to objective reasons. If we assume that each person who has moved to the public sector has hitherto lived on his or her own account, i.e., on income derived from the sale of his or her own (private) goods or services, then his or her move to the sector of providers of public goods will, *ceteris paribus*, result in a reduction of supply of these very goods or services in favor of public goods and services. This in turn automatically changes the structure of the supply of private market goods. In extreme cases, some of them may disappear from the market altogether. An unchanged demand for private market goods, in terms of size and structure, accompanied by a reduced supply of these goods and a changed structure, may trigger some adaptation processes on both sides of the market. Such changes will not occur only when those who were previously dependent on others take up employment in the public sector and now only enter the market.

Increasing public sector employment, on the other hand, must increase the fiscal burden on those remaining in the private sector. This is again due to objective reasons. As shown above and illustrated in Figure 2, the source of income for all providers of public goods, and hence those working in the public sector, is the income of those in the private market goods sector captured through taxation. If we assume that the head tax, which is the only tax in our model, is set at a level that covers exactly the needs of the state budget, then any increase in spending by that budget must find its source in increased tax revenues. So when there are more people working in the public sector, this tax must increase. This, moreover, is the inevitable consequence of any increase in public expenditure, whatever its purpose, except when such an increase is financed from previously created reserves.

According to the assumptions, the only sphere of state activity in the model considered here is the creation and enforcement of the natural right to life and the right to property, as well as the rights arising therefrom. It follows from this approach, as mentioned above, that with the development of such a model civilization, the scope and number of cases requiring state intervention should diminish. The number of people who professionally deal with matters of lawmaking and law enforcement should also

decrease. As a consequence, the development of such a civilization would mean a gradual shrinkage of the public sector, and with it, of the demand for public goods and services, including the demand for services of public sector employees. As a result of such a turn of events, the burden of compulsory tax payments to the state would also have to decrease. The final model is the state in which the number and importance of issues requiring intervention is so small that they can be handled by bodies or individuals appointed for this purpose ad hoc and performing these duties free of charge.

8.4 Lessons from the analysis of the model of the "stateless state"

Obviously, it is not the purpose of this work to design detailed solutions for the abstract socio-economic system discussed here, such as the "stateless state" model. Neither is it to proclaim a naive belief that it will ever be possible to create a state functioning according to the principles described above, let alone that it will become the only socio-economic system on the Earth. This will probably never happen, and therefore the model can safely be considered extremely utopian. Nevertheless, the approach presented here allows us to discover certain laws and regularities that are more difficult to perceive in the real world divided since the dawn of history between various state organisms, in which the established law constantly and very strongly interferes in all spheres of social life, including economic processes. The objective character of these laws will be confirmed when further assumptions underlying the model are abolished, i.e. when we get closer to reality.

Starting from a hypothetical initial situation and basing the considerations on the theory of choice, a logical conclusion could be drawn that man, as a being completely free in his choices, decides by himself whether and what he needs both at the moment and in the long run, and according to these decisions he takes appropriate actions. If one takes no apparent action, this must mean that one has no needs that require physical activity, and instead those that do not require action are then satisfied. This conclusion is always true, both when one is alone, like Robinson Crusoe in the well-known novel, and when one lives and acts in an arbitrarily large community. To describe as need a state of affairs other than that described in the definition given in this work is a procedure that completely dilutes the essence of the matter. Because of the easily demonstrable ambiguity and lack of logical consistency in treating these other states as needs, this meaning of the term should disappear from the scientific language. Along with it, as obviously false, should disappear from that language the statement that human needs are unlimited. As long as the satisfaction of any need is contingent upon a person's making an effort, those needs have been, are, and always will be limited by the willingness to make that effort. Only dreams and wishing are unlimited.

Adding to this initial situation the assumption that all natural resources are freely available and that everyone recognizes as inviolable the right of ownership of the results of his own efforts and the right to freely shape the quality of his own life provided that he does not harm the quality of life of others, one can logically conclude that the quality

of life of each person depends solely on what he himself wishes to do to achieve it. The actions of others can only help or, at worst, are neutral to this process. This means that the degree of a person's wealth, that is, the quantity and quality of his or her material and non-material goods, is the result of personal decisions and the resulting behavior of each individual. Under these assumptions, the only factor having a negative impact on a person's wealth can only be the so-called force majeure.

The validity of this conclusion, however, does not seem to depend on whether access to natural resources is free or restricted. If, for some reason, access is limited, as is the case in the real world (this will be discussed further below), then the field of possible actions of a person is only narrowed, but the principle itself remains unchanged. The same applies to cases of violation of the right to property; the fact that someone has lost property as a result of the criminal actions of others is, from the point of view of consequences, no different from a case of force majeure (fire, flood, earthquake). In both cases, the injured party has no control over the causes, and in both cases the only way to restore the property to its previous condition is through the work of the injured person himself. Whether the perpetrator of the theft, robbery, or fraud is punished or escapes punishment for whatever reason does not change this fact.

On the other hand, there is no doubt that the degree of richness cannot be the basis for judging the quality of life of other people. As already mentioned in section 6.3, human needs connected with the possession of goods are only one of many types of needs and do not have to be the most important in the hierarchy of needs of a given person. Therefore, if someone makes such evaluations, he or she does it only on the basis of his or her own criteria. Regardless of his motives for making such an assessment, he then arbitrarily places himself in the role of an arbiter, revealing his own arrogance stemming from pride or complexes.

It is also hard to deny that market exchange is based on the principles of voluntariness and reciprocity. Therefore, it seems logical to conclude that the only purpose of market exchange is to exchange the effects of one's own effort for the effects of effort of another market participant. And if that is so, then the only motive for such behavior appears to be obtaining needed goods and services with less effort. This is a conclusion whose validity does not require reference to any additional concepts, such as use value, exchange value, or economic value. Nor does it require any logically questionable comparison or ordering of these values. Thus, this conclusion satisfies the basic condition of the economics of scientific thinking, called Okham's razor.

Since in an act of voluntary exchange one gives to the other party what she herself agrees to accept in exchange, it is difficult to deny the principle of equivalence of exchange. It is true both in direct exchange, when there is an equivalent in other goods, and in case of indirect exchange, where an equivalent in money is involved. It is therefore a universal principle. This leads to the conclusion that every act of market exchange satisfies the condition of Aristotelian compensatory justice. In this state of affairs, any outside interference in the conditions or results of exchange between market

participants must be considered discriminatory against any of them, regardless of the motives of those who make such interference.

Equivalence, as a derivative of the principles of voluntary and reciprocal market exchange, is fully confirmed in the socio-economic model considered here. It is worth emphasizing that the procedure applied here at the beginning, which consists in removing from the field of view the state as an entity and money as a medium of exchange, combined with the ban on incurring debts by collective entities, does not in any way change the functioning mechanism of the real sphere. However, it allows to expose other important aspects related to the operation of this mechanism and its results. One of them is the new image of the enterprise. In this image, the enterprise is reduced to what it actually is, namely, a tool that facilitates the entrepreneur to achieve the goal of acquiring the goods and services he needs to ensure the desired quality of his life. It cannot be denied that this is precisely the sole purpose of any person who, alone or together with others, creates a manufacturing, trading or service enterprise. The legal form of the enterprise is irrelevant from this point of view. In any case, the sole purpose is to enable the owner to earn such an income as will satisfy his needs at the level he desires. Otherwise, there is no point in running such an enterprise.

An extremely important conclusion to be drawn from this approach to the enterprise is that the source of the entrepreneur's profits is neither the property nor the capital employed in the productive or commercial activity, nor finally the unpaid labor of his employees. For, as was shown in section 7.5, the process of production is a qualitative and not a quantitative transformation, and its outcome is a commodity; an object qualitatively different from the elements from which it was made. Consequently, there can be no question that the production process adds anything, and in particular that it adds value. Value as a market category does not appear until the entrepreneur's efforts to sell all the commodities from a given production cycle have had the desired effect⁷. This is when it becomes clear whether the monetary value of the commodities sold has ensured the entrepreneur a profit at the expected level. If so, this profit confirms two facts. First, that the value of the commodities to the buyer (the price paid), i.e. the market value, was greater than its value to the manufacturer (the total costs of production and sale incurred). Second, that the purchaser recognized the desirability and value of the sales service provided by the manufacturer included in the price of the goods. Both of these facts determine the advisability of the entrepreneur's further actions in the chosen field. On the other hand, when there is no profit, this fact should make one think about the sense of continuing such activity. Thanks to this approach, it is possible to discover the fallacy of the laborist theory of value and its implications.

The laborist theory of value and the related theory of exploitation are further undermined by the increasingly rapid mechanization and automation of production processes. In modern times, the process of replacing people with machines is becoming

⁷ From the very beginning, these goods obviously have a subjective value to the producer. The objective measure of that value is all the expenditures incurred by him which are necessary for the creation of those goods.

visible not only in production, but also in trade and services, such as banking and transport services. Therefore, it is not difficult to imagine a situation in which most or even all production, trade and service enterprises are fully automated. In such a case, the laborist theory of value is unable to answer the question of the source of value of goods and services created in such enterprises, let alone the question of the source of entrepreneurial profits.

This theory also fails to deal with many other problems that arise if one accepts its thesis that value is created in the production process. It is impossible, for example, to give a sensible answer to the question of the value of tools of mass destruction, or of why a good produced under a well-known brand name and an identical copy made from the same materials and under the same technological regime in the plant next door have different prices (objective values?) in two different stores in the same shopping mall. It is also difficult to explain why one considers worthless things that are of great value to others, or why unsold goods that are sent for disposal for a fee have a negative value to the holder, but when they are not destroyed but go to a second-hand store, their value becomes positive again, although it has nothing to do with the cost of their production. These are all arguments for rejecting the laborist theory of value and adopting instead the theory of value presented in Chapter 5.

Another extremely important conclusion that emerges from considering the market and the enterprise from a personalist perspective concerns the interpersonal relationships that arise in a system of market exchange. As already mentioned in paragraph 7.8, since the dawn of political economy, the interests of wage workers and entrepreneurs have been considered to be opposed. This is, of course, one of the consequences of the laborist theory of value. For if it is recognized that in the process of production a new value is created which is subject to distribution among the so-called factors of production, namely capital, labor, and land, then the logical conclusion follows that an increase in the share of any of these "factors" in the course of the distribution of this value must be at the expense of the other two.

However, if we look at economic processes from the perspective proposed by the personalist economics, it is easy to prove that each market participant, regardless of whether he is an entrepreneur, an employee or anyone else, by offering his own goods or services on the market, creates an opportunity for everyone to achieve benefits. This benefit is the possibility of satisfying one's own needs with less effort. The entrepreneur buys services of his employees, paying - as for any good - the current market price for those services, in full respect of the principle of voluntariness and reciprocity, so that the remuneration of employees must be considered equivalent to the services they provide. The advantage for the entrepreneur is that he saves part of the effort which he would have had to invest if he had wanted to produce the goods himself. Employees, in turn, can use their wages to buy goods and services they need on the market. In this way, they receive the equivalent of their services provided to the employer. Their benefit is the saving of a part of the effort they would have to put in if they had to obtain

those goods on their own. Each market participant, no matter what role he plays, is thus an ally of the others, not their enemy.

By analyzing economic processes from the point of view of the human person as the only autonomous subject of rights and duties, personalist economics makes it possible to discover the fallacy of the ideology of exploitation, which is based on the laborist theory of value. This ideology, by creating the appearance of being scientific, tries to destroy the basis of social life, which is the community of interests.

The personalistic approach also allows us to look at the market competition in a different way. From this perspective, it can be seen that thanks to market competition, each market participant can acquire what he needs on the most advantageous terms at any given moment. What is more, this is always achieved with full respect for other people's property and with full respect for the principle of voluntary and reciprocal exchange. These two principles of exchange determine that if someone - whether as a seller or as a buyer - under the influence of competition enters into a contract on less favorable terms than those he had in mind before entering into it, he does so not because of his weaker position on the market, but solely because, in the particular circumstances in which the transaction takes place, he cares more about it. The reluctance with which everyone accepts such a situation does not alter the fact that these inferior conditions nevertheless suit him better than the alternative of walking away from the transaction and looking for another solution. If it were otherwise, the contract would certainly not have come into effect. It is therefore indisputable that if a contract is concluded, both parties benefit from it by saving their own efforts. What they say about the transaction afterwards does not change this fact.

Personalist economics proves beyond any doubt that the entrepreneur's profit does not come from exploitation, but has the same source as the income of wage earners and all those in the so-called liberal professions. This source is the sale of one's own services. In the case of the entrepreneur, as demonstrated in section 7.5, these are services of providing buyers with the goods they need where and when they need them. This is where the entrepreneur's effectiveness as a seller lies. If the entrepreneur fails to obtain a profit-making price for his products, his effectiveness as an entrepreneur can be likened to that of a blacksmith who has made plenty of horseshoes but not a single one has been sold due to the lack of horses in the neighborhood. In such a case it is clear that the blacksmith has not made a profit or even covered his costs, not because he is a poor blacksmith, but only because he has not proven himself as a salesman. The real results of his work are concrete products, only that they are not needed by anyone. Does the notion of a value added make any sense in such a case? Do unsold products have any value for outsiders⁸, although their producer put a lot of his own and other people's work into them?

⁸ For the fact of owning these products determines that they have value for their owner, and that this value is very concrete, determined by the expenditure of his own efforts and resources.

This theme should be summarized as follows: entrepreneurs differ from other market participants exclusively in that they use a specific tool in their quest to acquire market goods to satisfy their own private needs⁹. This tool is a production, trading or service enterprise created by them. In other respects these people do not differ from the rest. Everyone always pays for goods and services received on the market with the results of their own efforts. In the case of wage earners, these effects are specific services always rendered for a remuneration, whose nature depends on the job or function performed in the enterprise. In the case of entrepreneurs, on the other hand, these are services provided to those who buy goods from them, i.e., entrepreneurial services. Their essence - as already mentioned - consists in providing purchasers with such goods that they want to buy, in the place and time in which they want to do it.

To the conclusions of the personalist theory of enterprise discussed above, it is worth adding another one. This approach exposes the fact that the functioning of an enterprise as a tool is a process consisting in cyclic qualitative transformations of its components which are classified as current assets. The final phase of each cycle of these transformations is the one in which the final product appears. This is the moment when the enterprise becomes a complete tool ready for its owner to use it for the purpose for which it was created. This purpose is, of course, the achievement by the entrepreneur of an income from the sale of his product in such an amount that ensures the expected amount of profit from this cycle. What needs to be emphasized here is that it is irrelevant for the function of the enterprise as a tool whether the product which appears in this final phase of the cycle was created in the same enterprise or was purchased elsewhere. In both cases, the effectiveness of the application of this tool depends on selling the product at a price which ensures not only the coverage of costs incurred but also the expected profit. Only then does it make sense to start the next cycle, i.e., to begin the production phase in an industrial enterprise, or to buy the next batch of goods in a commercial enterprise. Failure to meet this condition threatens to waste efforts and resources on buying or producing something that is not needed by anyone. One does not have to be an economist to recognize that it is not rational to act contrary to this principle.

An extremely important conclusion from the analysis of the operation of our model of the economy is that of the capital necessary for the creation and operation of the enterprise. For the formation of capital, as proved in paragraph 7.6, only the entrepreneur's savings are necessary, and it does not matter whether these are savings accumulated ex ante or those that will arise ex post. The savings of others, on the other hand, play no role in the process of capital formation.

In this context a further conclusion, already mentioned in paragraph 7.9, is particularly worth emphasising. This is that the structure of a company's assets determines that a commercial enterprise is always more flexible in adapting to the market situation than a manufacturing enterprise of a similar size. In the former, fixed assets usually account

⁹ The impression of insignificance that the word "exclusively" might give here, however, will quickly disappear when we recall the content of chapter 7

for a smaller proportion of total assets and are more versatile. In a manufacturing company, fixed assets are usually dominated by special-purpose assets, whose features make it difficult to use them for production of products other than those for which they were created. All this causes that with a given capital it is more rational to engage in trading activity than in production activity. This second option - as already mentioned - makes sense only in two cases. The first concerns the situation in which the costs of production of a given product in the place of establishment of the company are so lower than the costs of its purchase elsewhere that they give a chance to achieve the expected profit with an appropriate margin for risk. The second case, on the other hand, is a company entering the market with a new, original product, under the obvious condition that there is a real chance that this product will be accepted by buyers. However, this cannot be predicted in advance.

Some of the conclusions presented above stem from an analysis of the model, which assumed that man is a person of impeccable morality and that his only infirmity is an imperfect memory. Under such assumptions, the evolution of the model economy toward a system based on market exchange began with bullion money, an intermediate commodity whose substance was the best equivalent of all other commodities. However, when it turned out that the reciprocity of exchange could be guaranteed by a simple system of bilateral records of purchase and sale transactions, means of exchange had become unnecessary. Its place was eventually taken by a system of cashless settlements, called the credit money system, in which the monetary unit serves only as a unit of account (a measure of value). The mere use of this system of settlement, however, does not undermine any of the conclusions presented above.

The credit money system also proves to fulfill its function successfully when the assumption of people's absolute honesty is abolished. For, on the one hand, the system enforces reciprocity through the use of debt limits and, on the other hand, it makes it impossible to carry out abuses of a financial nature, which are possible in the classic money system. However, the most important feature of the credit money system is the fact that it is completely neutral from the point of view of the ways in which the needs of individual members of society are satisfied. In no way does it interfere with either satisfying some or all of the needs on their own, or supporting those who, for various reasons, are unable to do so, or with using market exchange in any role for that purpose. Its only task is to guarantee the reciprocity of exchange, which is the foundation of the development of the market economy. Due to the fact that money as a medium of exchange does not exist in this system, the cause of any changes occurring in the market can only be the result of what happens in the real sphere. This concerns both short-term changes and long-term changes.

Another important conclusion concerns human relations. Until the assumption of absolute honesty of people is abrogated, no form of government is necessary for the existence and development of the model economic system. The system of supreme values, which in this model consists of respect for life and property, as well as absolute honesty and respect for the right of every person to freely shape the quality of his or her

life, with the additional assumption of free access to all natural resources, is completely sufficient for a market economy to develop there.

A form of government only becomes necessary when we "come down to earth" and accept as a fact that there are people who do not respect any of the above-mentioned supreme values, or only incidentally recognize some of them. Then, however, as outlined in Section 8.1, it is possible to conceive of a variant of a fully subservient system called the "stateless state", whose only task is to make laws that take up the defense of such a system of values. It is worth repeating, however, that the state understood in this way is not a subject of law and that no one in it has rights different from the others. With such assumptions, there is no reason why more than one state is needed on a global scale. A legal system conceived in this way provides the best conditions for the exercise of all so-called negative freedoms ("freedom from"). For it is a system of law that criminalizes only those behaviors arising from unlimited positive freedom ("freedom to") that compromise the quality of life of others.

The operation of such a model of state has a twofold effect on people of an economic nature. The first is an economically neutral head tax that finances public sector expenditures, and the second is the existence of the sector of public goods. Since in this utopian "stateless state" everyone bears the identical cost of its operation and everyone has identical rights, it is absolutely neutral towards those who adhere to the superior value system and fulfill their tax obligation, since it does not interfere in any way with how people arrange their lives.

The next conclusion concerning economic matters is also worth noting. The credit money system does not require the existence of any financial institutions other than the one which organizes and is responsible for the efficiency of the operation and safety of the settlement system (the global clearing bank). It also does not allow for the existence of any financial debt instruments. The only permissible type of debt is a negative balance of the settlement account, which determines the amount of the obligation to sell any good or service. Such a balance arises when a purchase is made in the absence of sufficient income. Similarly, the only kind of receivable is a positive balance of the settlement account, and its exclusive object is the right to purchase any goods. Thus, both debt and receivables in the credit money system have an exclusively real nature.

In view of the fact that the overdraft limit is in any case dependent on the estimated lifetime income of a person (this may be called individual creditworthiness), any attempt to borrow and lend money must be regarded as an unfair act because it threatens to break the principle of reciprocity. Both the borrower and the lender would be guilty of such a violation of the system's principle. For this reason, the credit money system must provide for a ban on granting and taking such loans.

In the absence of money and any financial debt instruments, there is no interest rate in the credit money system. This is self-explanatory if only we constantly remember that the principles of voluntariness, reciprocity and equivalence lie at the heart of market exchange, and that the objects of receivables and payables are exclusively commodities.

Therefore, there is no reason why deferring the purchase(s) should result in an increase in the monetary value of the income holder's rights. The same is true of a person with a negative balance; having bought a commodity, he must provide an equivalent to others, that is, sell enough of his own commodity to generate the income necessary to balance the account. There is, therefore, no room here for any change in the original relations resulting from transactions between market participants.

The absence of money in the role of a medium of exchange and the absence of financial institutions and instruments related to this function of money, as well as the absence of the state as an economic entity does not in any way prevent our model economy based on market exchange from developing. The only factors driving its mechanism are those needs that people decide to satisfy through market exchange. This requires each person to play two roles in the market: supplier on the one hand and buyer on the other. This condition must always be fulfilled, regardless of the degree of economic development and the way in which transactions are concluded and settled. The order in which this happens is irrelevant. What does matter, however, is that the value of each person's actual demand over his lifetime is determined by his realized supply.

The objective law of human action is the one that states that everyone achieves exactly as much as results from the quantity and quality of the effort he puts into what he has intended for himself under the given circumstances. In the sphere of actions directed to the acquisition of goods and services, this law means that each person achieves as much as he is willing to give himself. This conclusion is obvious when it comes to goods that are self-generated from what the person himself obtains from the natural environment. However, it cannot be falsified even when the means of acquiring goods is market exchange. This is determined by the principle of reciprocity, whose existence and operation is indisputable in the system of direct exchange, but which is also confirmed in the credit money system. The only difference between the first and second means of acquiring goods is that, when using the market, one satisfies one's own needs with goods obtained from others but pays for them with one's own goods. The only exception to this rule is when goods and/or services are obtained for free, that is, at someone else's expense.

This principle refers to a model in which no one interferes in matters of the quality of life of the members of the community, and the only task of the legal system is to protect the natural rights of every human being, i.e. the right to life, the right of ownership of the effects of their efforts, and the right to ensure for themselves and their loved ones a quality of life according to their own criteria. Otherwise, someone receives more than he deserves at the expense of those who have had the results of their efforts taken away by force or deceit, and such a community enters a path of progressive disintegration. From a community of people who are free and equal in rights, it is transformed into a community based on privilege and legal coercion, and its maintenance requires the progressive enslavement of the governed by those in power.

After all these conclusions, it is worth considering the practical significance of the theory of personalist economics. Like any science, it should first of all determine and reliably describe the course of phenomena and processes occurring in the real world, that is, answer the question "how something happens". Secondly, it should explain the causes and mechanism of these phenomena and processes, that is, answer the question "why something happens the way it does". Only when the answer to both questions is known, it is possible both to predict the effects of any change on the side of the causes of a given phenomenon and to indicate the reasons for the fact that a given effect differs from the intended one.

The subject of interest of personalist economics are economic phenomena and social relations resulting from the implementation of people's decisions on how to acquire goods and services to satisfy their needs. Its aim is to determine the laws and regularities governing these relations. These very laws and regularities are listed in this summary. Knowing them, we will now use this knowledge to evaluate some of the systemic solutions that may be encountered in real economic life. The main point is to identify the causes of the many pathologies we face in many spheres of economic life and in the social relations related to them.