

Who Owns the Benefit? The Free Market as Full Communism

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There's a wonderful phrase for how capitalism works in the real world (I'm not sure who first came up with it, but I associate it with Noam Chomsky): "The socialization of risk and cost, and the privatization of profit."

That's a pretty good description of what the state does under actually existing capitalism, as opposed to the free market. Just about everything we identify as problematic about corporate capitalism — the exploitation of labor, pollution, waste and planned obsolescence, environmental devastation, the stripping of resources — results from the socialization of cost and risk and the privatization of profit.

Why haven't the cybernetic revolution and the vast increases in productivity from technological progress resulted in fifteen-hour work weeks, or many necessities of life becoming too cheap to meter? The answer is that economic progress is enclosed as a source of rent and profit.

The natural effect of unfettered market competition is socialism. For a short time the innovator receives a large profit, as a reward for being first to the market. Then, as competitors adopt the innovation, competition drives these profits down to zero and the price gravitates toward the new, lower cost of production made possible by this innovation (that price including, of course, the cost of the producer's maintenance and the amortization of her capital outlays). So in a free market, the cost savings in labor required to produce any given commodity would quickly be socialized in the form of reduced labor cost to purchase it.

Only when the state enforces artificial scarcities, artificial property rights, and barriers to competition, is it possible for a capitalist to appropriate some part of the cost savings as a permanent rent. The capitalist, under these conditions, is enabled to engage in monopoly pricing. That is, rather than being forced by competition to price her goods at the actual cost of production (including her own livelihood), she can target the price to the consumer's ability to pay.

That form of enclosure, via "intellectual property," is why Nike can pay a sweatshop owner a few bucks for a pair of sneakers and then mark them up to \$200. Most of what you pay for isn't the actual cost of labor and materials, but the trademark.

The same is true of artificial scarcity of land and capital. As David Ricardo and Henry George observed, there is some rental accruing on the natural scarcity of land as a non-reproducible good. There's considerable disagreement among Georgists, mutualist occupancy-and-use advo-

cates, and other libertarians as to whether and how to remedy those natural scarcity rents. But artificial scarcity, based on the private enclosure and holding out of use of vacant and unimproved land, or on quasi-feudal landlord rights to extract rent from the rightful owners actually cultivating arable land, is an enormous source of illegitimate rent — arguably the major share of total land rent. And regardless of any other steps we may be advocate, principled libertarians are all in favor of abolishing this artificial scarcity and — at the very least — letting market competition from vacant land drive down land rent to its natural scarcity value.

We favor, as well, opening up the supply of credit to unfettered market competition, abolishing entry barriers for the creation of cooperative lending institutions, and abolishing legal tender laws of all kinds, so that market competition will eliminate a major portion of total interest on money.

But while demanding the socialization of rent and profit may be frowned upon by capitalists as “class warfare,” they’re totally OK with the socialization of their operating costs. The main reason modern production is so centralized and both firms and market areas are so large, is that the state has subsidized transportation infrastructure at the expense of the general public, and made it artificially cheap to ship goods long distance. This makes large-scale, inefficient producers artificially competitive against small-scale producers in the local markets they invade with the state’s help. That’s why we have giant retail chains driving local retailers out of business, using their own internalized “warehouses on wheels” wholesale operations to distribute goods manufactured by sweatshops in China.

The past forty years’ loss of biodiversity, deforestation, and CO2 pollution has occurred because the ecosystem as a whole is an unowned dump, rather than being a regulated commons. The state typically preempts “ownership” of forests, mineral deposits, etc. — often to the prejudice of indigenous peoples already inhabiting the areas — and then gives privileged access to extractive industries that are able to strip mine them of resources without internalizing the actual costs incurred.

As surprising as it might seem, there’s a strong parallel between this free market vision of abundance and the Marxist vision of full communism. Carl Menger wrote of economic goods (i.e., goods subject to economic calculation because of their scarcity) becoming non-economic goods (i.e., that their abundance and near-zero production cost would make the cost of accounting greater than the production cost, if any). This parallels a major strain of thinking among socialists in the free culture/open source/P2P movement. They see the communist mode of production practiced by Linux and other open-source developers as the kernel of a new post-capitalist, post-scarcity social formation. Much as capitalist production started out in tiny islands inside the larger feudal economy and later became the core of a new, dominant social formation, commons-based peer production is the core around which the post-capitalist economy will eventually crystallize.

And we free marketers are also information communists. We want the benefits of knowledge and technique to be fully socialized. The largest single share of profit under the current model of corporate capitalism is embedded rents on the artificial scarcity of knowledge and technique.

In a society where waste and planned obsolescence were no longer subsidized, and there were no barriers to competition socializing the full benefits of technological progress, we could probably enjoy our present quality of life with a fifteen-hour work week. And in a society where the dominant mode of production was craft production with cheap, general-purpose CNC machine tools (as Kropotkin anticipated over a century ago in *Fields, Factories and Workshops*),

the division of labor and the dichotomy between mental and physical labor would be far less pronounced.

Taken together, these two outcomes of free market competition in socializing progress would result in a society resembling not the anarcho-capitalist vision of a world owned by the Koch brothers and Halliburton, so much as Marx's vision of a communist society of abundance in which one may "do one thing today and another tomorrow, to hunt in the morning, fish in the afternoon, rear cattle in the evening, criticise after dinner, just as I have a mind, without ever becoming hunter, fisherman, herdsman or critic."

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