Five Libertarian Reforms

Millennials Should Be Fighting For

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MILLENNIALS ARE DISGRUNTLED, and it's no wonder. In 2008 they turned out in record numbers in support of a presidential candidate who used the most leftish-sounding rhetoric of any Democratic candidate since McGovern. This president came into office with a seemingly filibuster-proof Democratic majority, by the largest Democratic majority since LBJ beat Goldwater. He came into office faced with the biggest meltdown since FDR was inaugurated in 1933, and could have mustered overwhelming support for radical change. Instead he governed as a moderate Republican, continuing the Paulson TARP program with a few cosmetic modifications, bailing out the largest "too big to fail" industrial corporation in America, and implementing a national healthcare "reform" first proposed by Richard Nixon and implemented in Massachusetts by Mitt Romney.

In the meantime, twenty-somethings face a situation much like that of Japan's "Lost Generation" after the '90s meltdown. About half of recent college graduates are unemployed or underemployed, and a similar portion have moved back in with their parents.

Not surprisingly, this generation is completely disillusioned about the system — representative democracy, capitalism, the American Dream — that was sold to them. After sweeping Obama into office in 2008, they stayed home in droves in 2010 — the main factor behind the GOP sweep of Congress. They were the backbone of the Occupy movement, a movement founded on the assumption that representative democracy and the political process were worthless, and the only alternative was to build a new system outside the existing one. In polls, this demographic is split three ways between those who would prefer what they call a "socialist system," those who prefer capitalism, and those who aren't sure.

The reforms I propose below are all free market libertarian reforms, but they're also essentially socialist or anti-capitalist in that they shift wealth from rentier classes to the people who actually produce it, break the power of giant corporations, and create a fairer system with a more egalitarian distribution of wealth.

1. End the credit monopoly. Right now we have a money system that creates artificial scarcity in credit and the medium of exchange. The state grants a monopoly on issuing the medium of exchange to a cartel of state privileged banks. These banks lend money into existence out of thin air, at absolutely no cost to themselves. Every time the government changes the reserve ratio, or deposits some money in a bank's reserves by buying back federal bonds, that increases the amount of money the bank is allowed to lend into existence where none existed before. But even though the money lent out of thin air, the bank still lends it at interest.

At the same time, state licensed capitalist banks have a monopoly on issuing credit, so that they can charge a monopoly price (i.e. usurious rates of interest) for the service. Even banks that issue only secured loans backed by the borrower's collateral are still required to maintain some legally defined minimum capitalization level, an entry barrier that reduces the number of banks competing to issue credit.

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In a free economy, ordinary people would be able to create their own medium of exchange by the very act of exchange itself, without having any stored value from previous exchanges. This is the basis of the kind of mutual credit clearing system advocated by Tom Greco's and E. C. Riegel. All the members of the credit-clearing system maintain a running tab, like a checking account that's allowed to go into some level of negative balance with overdraft protection, and settle up the outstanding balances periodically. It's a way of creating a medium of exchange to facilitate commerce in a specie-poor environment. When you purchase another member's goods or services, your balance goes down. When you sell goods or services, it goes up. Because you're allowed to run a negative balance (of a specified amount and for a specified time) you can start with no money and convert your skills into purchasing power.

In a free economy, likewise, any group of individuals would be free to form a banking cooperative and convert any form of collateral the membership agreed to into credit, without accumulating any prior capital reserves. The free entry and competition of such mutual banks would drive the interest rate on secured loans down the actual overhead cost of administration, and would reduce even interest on unsecured loans by an equivalent usury-premium.

The effect of the credit monopoly in the existing capitalist economy is to make capital artificially scarce and expensive to labor, so the capital owning class is able to control access to opportunities for work and charge a monopoly price for it. As a result the number of employment opportunities is artificially scarce compared to the number of workers, so that workers are competing for jobs rather than the reverse; since the employer has a superior ability to walk away from the table, workers must accept work on the bosses' terms rather than vice versa.

A free economy in credit would make it easier for poor people to convert their skills into purchasing power in the informal and barter economy, reduce the average person's debt burden, drive up wages, increase workers' say in the working environment, reduce the average work week, and lower the average retirement age. Jobs would be competing for workers for a change, and instead of workers slavishly putting up with any indignity for fear of losing their jobs, employers would be in fear of not being able to hire labor.

2. End the land monopoly. The land monopoly is any absentee property title to vacant and unimproved land. Franz Oppenheimer, in *The State*, argued that economic exploitation was possible only if employers were able to close off competition from opportunities for self-employment. One way of doing this is making capital artificially scarce, as we saw above. But another way, which Oppenheimer stressed, was eliminating competition to wage employment from self-employment on vacant land. Once land is fully appropriated, employers need no longer compete for wage labor against the possibility of self-employment. And most land is appropriated now, in some form.

But land is nowhere near being *naturally* appropriated (i.e., by actual occupancy and use). It is only legally appropriated, by allowing absentee landlords to fence off vacant land and charge tribute to the rightful first owners who actually develop it, or granting political title to an absentee landlord class and allowing them to exact tribute — rent — from those already occupying and working the land.

We see the land monopoly in the remnants of pre-capitalist property relations in Europe, where nobles or their heirs or assigns collect rent from the people whose ancestors have been living on and cultivating the land time out of mind, and in Third World countries where similar pre-capitalist patterns of agrarian land ownership prevail. The Industrial Revolution took the form it did in Britain, for example, because the enclosure of open fields for sheep pasturage and Parliamentary Enclosure of common lands dispossessed the peasantry from most of the land and turned them into a propertyless proletariat.

We see it in settler societies like North America, where both colonial and post-independence governments gave enormous land grants to favored subjects (grants of hundreds of thousands of acres in colonial America, U.S. government railroad land grants equivalent to the area of France, agribusiness operations given "price support subsidies" to hold huge tracts of fenced off land out of use, etc.). We see it in cases where the U.S. preempted ownership of the land sessions from the Louisiana Purchase and the Treaty of Guadalupe-Hidalgo (land which had previously been in the Spanish crown and Mexican government domain), continued to hold it in the "public" domain, and then gave favored access to logging, ranching, mining and oil interests.

We see it in the Latin American hacienda system, where giant estates consist of mostly vacant and idle land fenced off from neighboring peasants' use, while those land-poor or landless peasants are forced to work as wage-laborers for the patron in order to live. We see it in Third World areas like the East African highlands of Kenya, where European colonial elites dispossessed native cultivators from the best 20% of land in the country and forced them into the wage labor market. We see it with Third World landed elites evicting peasants from land which is rightfully theirs and converting it, in collusion with transnational agribusiness corporations, into cash crop production for the urban and export market. (The main reason for starvation isn't insufficient food production, but the fact that peasants who were previously feeding themselves on their own land are living in the gutters of Calcutta or the shanty-towns of Nairobi, while their former land is being used to grow feed for McCattle.)

We see it in the mass expropriation of minerals and natural resources in the Third World during colonial and post-colonial times: the mineral industries of southern and central Africa; Shell Oil in Indonesia, and the like, who often hire death squads to massacre locals who oppose their extraction of wealth.

The mines of South Africa should go to the workers, they whose labor (and that of their ancestors) developed them, sometimes with slave labor. The haciendas of Latin America should go to the landless peasants. Every piece of land in the world held by a parasite with a title of nobility should become the property, free and clear, of those now living and working it. Every acre of America which is currently held out of use by an absentee title should be regarded as unowned.

3. End the "intellectual property" monopoly. Henry George, Jr. argued that the main source of wealth under capitalism was collecting rents by “controlling access to natural opportunities.” Thorstein Veblen called it “capitalized disserviceability,” or charging tribute for the act of not obstructing productive activity by others. Either way, it’s the same: The little money comes from actually producing things, but the really big money comes from controlling the conditions under which others are allowed to produce.

And as important as all the different ways of fencing off the land described in the previous section are, “intellectual property” is arguably the single most important means by which the corporate ruling class extracts profit by controlling access to productive opportunities.

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Patents, copyrights and trademarks are central to the business models of the most important sectors of the global corporate economy. Entertainment and software (Microsoft, and the music and record companies) make their profits entirely from control of copyright. A growing share of manufacturing companies outsource all their actual production to independently owned sweatshops, but use patents and trademarks to maintain a monopoly on the right to sell the product — that’s why Nike is able to retail a pair of sneakers for $200 in the U.S. that only cost a few bucks to make in Vietnam.

Even when companies still produce their own products, the embedded rent on patents is a huge part of the price; for example, back in the ’90s Tom Peters crowed that 90% of the price of his new Minolta camera consisted of “intellect,” rather than the actual cost of materials and labor involved in producing it. Business models based on planned obsolescence, and products designed to cost more to repair than to replace or not to be interoperable with accessories produced by a competitor, would be impossible without patents on industrial design. If there were no legal restriction on developing generic modular accessories and replacement parts for a competitor’s platform, the competitive pressure would be to produce stuff that was easy to repair and that worked with the competitor’s stuff.

And at a time when technological change is radically reducing the capital outlays required to produce things (e.g. tabletop open-source digitally controlled machine tools that can produce the equivalent of factory goods at 1% of the cost), the only way for the old corporate dinosaurs can stay in business is by using “intellectual property” to control the conditions under which the new technology can be used.

“Intellectual property” is protectionism, pure and simple. Like tariffs, it’s a way of extracting profit by controlling who’s allowed to sell a particular good in a particular market — only it operates at corporate instead of national boundaries.

Eliminate “intellectual property” and competition would drive the cost of music, movies, software and drugs to almost nothing. It would eliminate planned obsolescence, along with the biggest share of the price of most manufactured goods we buy.

Without “intellectual property,” all the benefits of technological progress would immediately be socialized in the form of reduced costs of living and work time for the average person, instead of enclosed as a source of rent by state-privileged capitalists.

4. End the minimum wage for plutocrats. Proposals to increase the minimum wage to $15 are understandably popular. But it gets things backward. The reason workers don’t get the full product of their labor now is that the state, controlled by capitalists and landlords, controls the ability of ordinary people to convert their skills and effort into subsistence. All the forms of privilege listed in the sections above amount to toll gates erected between the individual’s skills and effort and the satisfaction of her needs. Because of such toll gates, the privileged classes are able to use artificial property rights and artificial scarcities in land, capital and the use of information to force ordinary people to work extra hard to feed a layer of parasites as a condition of being allowed to feed themselves. All the forms of privilege in the previous three sections are, in effect, a minimum wage for the propertied classes who control the state.

But there are other ways in which government policies artificially increase the amount of labor an individual is required to perform in order to live comfortably. Local health, safety and zoning laws make it difficult or actually criminal for individuals to run micro-enterprises out of their homes (like making, altering or repairing clothing with a sewing machine, running a micro-bakery with an ordinary kitchen oven, having a hair salon in one’s spare room, operating a daycare center for one’s neighbors, providing unlicensed cab services with just a family car and cell phone, etc.).

The effect of such licensing laws is to erect entry barriers that are completely unnecessary from a purely technical perspective, and require massive capital outlays to buy industrial grade equipment and rent stand-alone commercial real estate as a condition of doing business at all. That artificially inflates the debt burden to be serviced, and the minimum revenue stream that must come in every single month to service it and keep from falling deeper in the hole. And the capital outlays, and risk of failure, protect brick-and-mortar businesses from competition by ordinary people with only their own skills to turn into a source of income.

On the other hand, anything that reduces the overhead cost of doing business and the size of the revenue stream required to service it, also in effect reduces the barrier between being "in business" and "out of business." When a person is able to go into business by taking advantage of the spare capacity of ordinary household capital goods she already owns, operating out of the same housing she was paying for anyway, she can operate with virtually zero extra overhead. All revenue is free and clear, and she can ride out periods of slow business or no business without going in the hole. So it's possible to incrementally build up a business on the side with no risk at all.

This is doubly true when the basic costs of living are low. But the state also uses its regulatory power to artificially increase the cost of housing, and indeed even of existing at all. Local building codes — written for the most part by building contractors and the skilled trades — criminalize vernacular building techniques, as well as more recent, user-friendly forms of cheap modular construction. According to Ivan Illich, some 30% of housing was still self-built in Massachusetts in the 1940s; but it's since fallen to almost nothing, despite the development of much more user-friendly building technologies since then. Colin Ward, likewise, recounts the lovingly self built housing in the British neighborhoods of Laindon and Pittsea in the interwar period — much like today's favelas in Brazil — that would be illegal today. Aesthetic ordinances prohibit things like growing vegetables in one's front yard and keeping chickens. In some states utility companies are pushing through punitive taxes on people who add solar panels to their homes. Vagrancy laws, and laws against living in one's car, criminalize the very act of existing without a job or a fixed place of residence.

One of the happiest classes of people in English history were the land poor peasants of the 18th century who, with cottages built on the common waste, and the freedom to hunt and gather berries and fuel in the fens and woods, and pasture a few pigs or a cow on the common, were able to live comfortable and accept agricultural wage labor from the "squire" when it suited them. The landed classes of England enclosed the wastes and common pasture, and tore down the cottages, because they couldn't stand having a class of laboring folk who could afford to live comfortably while taking work or leaving it as they saw fit.

Eliminating the barriers to self-employment and comfortable low-cost subsistence would have the effect of recreating the conditions under which this class of cottagers thrived, and enable ordinary people to survive comfortably without depending on wage labor for a capitalist boss for subsistence.

5. Cut welfare from the top down. Jim Henley once described this as eliminating shackles before we eliminate crutches. The state, as libertarians are fond of saying, typically breaks your legs and then gives you crutches. But the class aspect of this is important: The state breaks your legs to keep you from competing with the rich folks it serves, but gives you just enough in the way of crutches to prevent mass starvation and homelessness that might destabilize the system or even lead to a revolution. Things like the minimum wage, food stamps and the Earned Income Tax Credit are secondary forms of state intervention, whose main function is to stabilize or ameliorate the problems resulting from its primary forms of intervention to guarantee rents to the wealthy and concentrate economic power in the hands of giant corporations.

So any agenda of gradually scaling down government should take this context into account. The first things to go should be welfare for the rich and big business, and the last should be welfare for ordinary people. If we start by eliminating all the forms of artificial property, artificial scarcity, subsidies and entry barriers that concentrate wealth in a few hands, and let free competition destroy enormous concentrations of wealth and redistribute it downward, we might not even notice whether welfare, minimum wages or food stamps still exist because they would be used by so few people as to be a moot point.

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