



# THE FREE MARKET AS FULL COMMUNISM

TAKEN TOGETHER, THESE TWO OUTCOMES OF FREE MARKET COMPETITION IN SOCIALIZING PROGRESS WOULD RESULT IN A SOCIETY RESEMBLING NOT THE ANARCHOCAPITALIST 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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# KEVIN CARSON



# MARKET ANARCHY



. . . what we always meant by socialism wasn't something you forced on people, it was people organizing themselves as they pleased into co-ops, collectives, communes, unions. . . . And if socialism really is better, more efficient than capitalism, then it can bloody well **compete** with capitalism. So we decided, forget all the statist shit and the violence: the best place for socialism is the closest to a free market you can get!

**Market anarchists** believe in market exchange, not economic privilege. We believe in free markets, not capitalism. We are *anarchists* because we believe in a fully *free, consensual society*—order achieved not through political government, but free agreements and voluntary cooperation on a basis of equality. We are *market anarchists* because we recognize free market exchange, characterized by individual ownership, voluntary contracts, free competition, and

entrepreneurial experimentation, as a medium for peacefully anarchic social order. But the markets we envision are nothing like the privilege-riddled markets we see around us under government and capitalism.

**Mutualists** believe that most present inequalities come not from the results of market forces but from the perversion of these forces. A market is, after all, only a system of voluntary exchange. The state has stepped in and granted preferential treatment to certain individuals and groups. This created the vast inequalities that we see. Even if the market were to give rise to certain problems, these could be offset by voluntary associations such as guilds, trade unions, community groups and co-operatives.

**Agorism** is revolutionary market anarchism. In a market anarchist society, the positive functions of law and security will be provided by market institutions, not political institutions. Agorists recognize, therefore, that those institutions cannot develop through political reform. Instead, they will come about as a result of market processes. As government is banditry, revolution culminates in the suppression of government by market providers of security and law. Market demand for such service providers is what will lead to their emergence. Development of that demand will come from economic growth in the sector of the economy that explicitly shuns state involvement (and therefore can not turn to the state in its role as monopoly provider of security and law). That sector of the economy is the counter-economy – black and grey markets.

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## Who Owns the Benefit?

*The Free Market as Full Communism.*

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**T**HERE'S A WONDERFUL PHRASE FOR how capitalism works in the real world:<sup>†</sup> “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,

<sup>†</sup> I'm not sure who first came up with it, but I associate it with Noam Chomsky.



*Kevin A. Carson (b. 1963)*

**“Why haven't the cybernetic revolution and vast increases in productivity from technological progress resulted in fifteen-hour work weeks, or many necessities of life becoming too cheap to meter?”**

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 advocates, 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 O.K. 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

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**Intellectual property, artificial scarcity of land and capital.**

Finally, I think Bill neglects several important limiting factors on the ability of "winner" firms to translate their gains into continued growth. First: the initial profits from introducing a new production method will quickly dwindle to zero, if there is no barrier to market entry and free competition. In the case of introducing new production technology, or superior products, firms operating within the margin will certainly derive temporary producer surpluses from it — until the innovations are adopted industry-wide. Under mutualism, though, there will be no patents with which to cartelize ownership of new forms of technology, and derive ongoing monopoly returns from them. The equilibrium rate of profit will still be zero.

Second: as we already mentioned, advantages in economy of scale from increasing firm size reach a saturation point at relatively low levels — so there's only so much a "winning" firm can expand before it becomes counterproductive.

Third: the inability to draw monopoly returns on land and capital, and to compound them annually, likewise puts a severe limit on the potential of firms to expand. If holdings of land and capital cannot "grow," accumulating a great deal of capital in any one place becomes much more difficult.

Without the ability to draw monopoly returns on capital, that's one less incentive to accumulate for the sake of accumulation. A workers' co-op may make capital investments to be competitive with other firms, or to shorten their work hours. True, the initial gains to the individual firm, in cheaper product or shorter work hours, will disappear under competition. But if there's no class of capitalists that can draw absentee returns from the ownership of capital, then all productivity gains from capital accumulation will go either to the worker or to the consumer.

If there are productivity gains from accumulation, somebody must benefit, because either total output will increase or total work hours will decline. If there are no capitalists pocketing the productivity gains for themselves, then the gains must go somewhere else. Either the average income for labor as a whole will increase over time, or the average work-week will decrease, or both, as the gains from productivity are distributed throughout society. The evils of the present system result from the absentee ownership of capital and land, so that labor does not fully internalize all the rewards of increased productivity.

KEVIN A. CARSON (2005)

under state capitalism.

According to neo-Marxist analyses of late capitalism, like those of Paul Mattick and James O'Connor (as I understand them at any rate), one of the major motive forces for continuing accumulation is the need for new investment to counteract the falling direct rate of profit — itself a result of previous over-accumulation. But since there would be no equilibrium rate of profit on capital under mutualism in the first place, there would be no falling rate of profit to worry about. And there would likewise be no rates of profit to be equalized between industries, as described by Marx in volume 3 of *Capital*. “Capital” would simply be a cost to be amortized, with workers paying themselves back for their investment of their own past labor. On the other hand, the problem of over-accumulation is primarily a result of the state’s subsidies to accumulation and its cartelization of the economy. The state encourages the over-building of industry to the point that it cannot dispose of its full product at market prices, let alone the cartel price established by oligopoly firms. So that’s another imperative that wouldn’t exist in a mutualist free market.

Bill also underestimates the different competitive dynamic that would result from a radically decentralized market. We are currently at one extreme of the pole: a centralized economy with production for large, anonymous commodity markets; and with it a boom-bust cycle that results from the informational problem of targeting production to demand. A mutualist free market would be much closer to the other pole: a decentralized market of production for local use, in which consumers and producers likely know each other, and firms have ongoing business relationships over time.

Specialists in economy of scale like Walter Adams and Barry Stein have demonstrated that maximum efficiency for most consumer goods is reached at a relatively low level of output: without government subsidies to the inefficiency costs of large-scale production, most of what we consume could be produced most efficiently by a factory of at most a few dozen workers producing for a local market area of a few thousands or tens of thousands.

In such a local market, demand and supply are likely to be more stable and predictable over time, and market relations between competing producers are likely to exist within an organic social context, regulated by customary norms: much closer, in social spirit, to the artisan production of past ages than to the anonymous production for large-scale wholesale markets we have today. I expect that competitive pressure in such an environment would be much less dog-eat-dog, and the pace of innovation would be much more relaxed.

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.

**Capitalists socialize their operating costs. The main reason modern production is so centralized is that the state has subsidized infrastructure and large-scale, inefficient producers at the expense of the general public. . . .**

The past 40 years’ loss of biodiversity, deforestation, and CO<sub>2</sub> pollution have 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, &c. — 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 C. N. C. 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."

KEVIN A. CARSON (2012)

**There's a strong parallel between this free market vision of abundance, and the vision of full communism.**

**Commons-based peer production is the core around which the post-capitalist economy will eventually crystallize.**

## Capitalism Without Capitalists?

*The Logic of Liberated Markets.*

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**B**ILL, OVER AT *REASONS TO BE IMPOSSIBLE*, HAS AN INTERESTING RESPONSE<sup>†</sup> to my *Contract Feudalism*<sup>‡</sup> post. The gist of it is that the forces of market competition under mutualism would lead to worker-owned firms engaging in behavior much like that of present-day capitalist firms: a drive to *accumulate, accumulate, accumulate!* In other words,

“you can have a capitalism without capitalists. You can have all the profit seeking behaviours, without the personal gains for any real sensuous human being.”

One thing Bill mentions is economic rents from superior location, access to superior services, &c. Regarding the latter, it's important to remember that a great deal of existing economic rent is an externality resulting from the state's subsidies to the operating costs of business. In a society where all public services were operated on the mutualist cost principle, and the cost of providing services was reflected in price, there would be no such externalities.

As for the former, it's obvious that some economic rents would still accrue from superior production sites or innate skills, even without the artificial scarcities created by the state's enforcement of privileges like absentee landlordism and the money monopoly. But in my opinion, permanent producer surpluses resulting from superior location, fertility, skill, &c., are considerably smaller in scale than the monopoly returns from artificial, state-enforced scarcity.

Another problem, he suggests, would be that higher than average profits from the introduction of new production methods, superior skill and productivity, &c., would be reinvested, and that production would become concentrated in the hands of such firms. And generally more efficient firms, likewise, would expand and take business from the less efficient, and market power would be concentrated in the hands of the winners. Firms would be driven to cut costs and increase the productivity of labor, with the work forces of even producers' co-ops sweating themselves to accumulate and compete.

I think Bill underestimates the amount of such pathological behavior that results, not from the market as such, but from the distorted markets that exist

<sup>†</sup> “Mutually Assured Competition,” at *Reasons To Be Impossible*. Monday, February 28, 2005. [impossiblist.blogspot.com/2005/02/mutually-assured-competition.html](http://impossiblist.blogspot.com/2005/02/mutually-assured-competition.html)

<sup>‡</sup> “Contract Feudalism,” by Kevin Carson, at *Mutualist Blog*. Friday, February 25, 2005. [mutualist.blogspot.com/2005/02/contract-feudalism.html](http://mutualist.blogspot.com/2005/02/contract-feudalism.html)