State Capitalism and the Many Monopolies

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Liberarians defend economic freedom, not big business. We advocate free markets, not the corporate economy. And what would freed markets look like? Nothing like the controlled and distorted markets we have today. Yet there’s nothing more common than to hear mass unemployment, financial crisis, and ecological catastrophe blamed on libertarian politics, and to hear the economic status quo attributed to the voraciousness of “unfettered free markets.” As if they were all around us! Really, the crises laid at the feet of laissez faire are crises that have arisen in markets that are nothing if not fettered. When critics confront us with corporate malfeasance, structural poverty or socioeconomic marginalization, we need to be clear that market principles are not about defending the practices or profits of big business; and to point out how much of what our critics condemn really traces back to government regulation and legal privileges. For a model of how libertarians might analyze the political edge of corporate power, and defend markets from the bottom up, 21st century libertarians would do well to look back to our 19th century roots. Our economic discussions would benefit greatly from the insights and understanding offered by the American individualist anarchists, especially their most talented exponent, Benjamin Ricketson Tucker (1854-1939), the editor of the Anarchist journal Liberty (1881-1902).

Markets Deformed by State Capitalism

Conventional textbook treatments portray the American Gilded Age as an age of relentless economic exploitation, and also an age of economic laissez faire. But Tucker argued, against the conventional narrative, that the stereotypical features of capitalism in his day were products not of the market form, but of markets deformed by political privileges. Tucker did not use this terminology, but for the sake of analysis we might delineate four patterns of deformation that especially concerned him: (1) captive markets, (2) ratchet effects, (3) concentration of economic ownership, and (4) insulation of incumbents.

1. Captive Markets

Legal mandates and government monopolies often serve to produce captive markets, in which businesses sell goods or services to customers whose demand is locked in, or artificially bolstered, by political requirements to buy services – or to buy services from particular, regulated sellers – that they wouldn’t otherwise pay for. (Consider, for example, how the market for corporate car insurance is shaped by state laws requiring its purchase, and regulating the minimum levels of service that must be purchased.) Captive markets create a select class of incumbent companies with legally guaranteed access to a steady stream of customers, many of whom might not pay for their services but for the threat of fines and arrest.

2. Ratchet Effects

Legal burdens, price distortions and captive markets combine to ratchet up fixed costs of living, far higher than would prevail in freed markets. To get by, people are constrained by the necessity of covering these persistent, inflexible costs – by selling labor, buying insurance, taking on debt – under artificially rigid circumstances. Ratchets keep everyone chasing the next paycheck, and create permanent states of financial crisis for the poor.

3. Concentration

Confiscation, regressive redistribution and legal monopolies deprive workers of resources while concentrating wealth and economic control within a politically-favored business class. Struggling to cover ratcheted fixed costs, workers are dispossessed of the means to make an independent living, and enter markets where legal privilege keeps ownership of land, capital and key resources concentrated in the hands of employers, landlords, and big corporations. So workers must depend on relationships with bosses and corporations far more than in freed markets, deforming economic activity into hierarchical relationships and confining rental economies.

4. Insulation

Captive markets and bailouts protect big players, while legal monopolies, regulatory barriers, and anticompetitive subsidies inhibit competition from below and self-help, non-commercial or informal-sector substitutes. Government support props up big businesses, stifling the market and social pressures
that might otherwise be brought to bear on businesses, landlords and employers. Insulated businesses can treat employees and consumers with far less consideration or restraint; meanwhile, intervention shuts workers out of alternative solutions by blocking entry from smaller, grassroots or informal competitors.

Tucker’s Big Four

With these four categories in mind, we can turn to Tucker’s central idea – the Four Monopolies that shaped the Gilded Age economy. In his classic essay “State Socialism and Anarchism” (1888), Tucker argued that captive markets, ratchet effects, concentration, and insulation came together most powerfully in four central areas of economic activity where government deformed markets into “class monopolies,” regressively reshaping all markets as the effects rippled outward from these four centers. These were:

1. The Land Monopoly

Land titles in 19th century America had nothing to do with free markets. All unoccupied land was held to be the property of government, and the military seized land out from under Indians, Mexicans, and independent “squatters.” Government ownership and preferential grants monopolized access, excluding free homesteading. Tucker identified this concentration of land titles in a few elite hands as a “land monopoly,” creating a class of privileged landlords by depriving workers of market opportunities to gain freeholds and escape rent. Since 1888, the land monopoly has dramatically expanded. Governments worldwide have nationalized oil, natural gas, and water resources; in the U.S., mining rights and fossil fuel exploration are largely managed and accessed through government licenses, due to government’s ownership of 50% of the land in the American West, their monopolistic control over territorial waters, etc. The cost of land has been ratcheted and ownership has been concentrated through zoning codes, decades of “Urban Renewal,” for-profit eminent domain, municipal “development” rackets, and a host of local policies to keep real estate prices permanently rising. Freed land markets would see ownership widely dispersed, less expensive, more often by individuals and more often free and clear, with vacant land more readily open to homesteading and titles based as easily on sweat equity as on leveraged cash exchanges. Many people now forced to rent by economic circumstances would no longer need to; those who chose to rent would find that competition had dramatically improved the prices and conditions available on the market.

2. The Money Monopoly

For Tucker, the most damaging of the Big Four was the Money Monopoly, “the privilege given by the government to certain individuals ... holding certain kinds of property, of issuing the circulating medium,” politically manipulating the money supply, prohibiting alternative currencies, and cartelizing banking, money and credit. Tucker saw that monetary control not only secured monopoly profits for insulated banks, but also concentrated economic ownership throughout the economy, favoring the large, established businesses that large, established banks preferred to deal with. Tucker identified the Money Monopoly as an economic force in 1888 – before the Fed and fiat currency, the FDIC, Fannie, Freddie, the IMF, or trillion-dollar bailouts to banks judged “Too Big to Fail.” Today, alongside the longstanding monopolization of financial services such as credit, savings, and investment, regulatory cartels and political mandates have also captured insurance as a Money Monopoly stronghold, forcing workers into rigged markets for corporate insurance, while shutting out non-corporate, grassroots forms of mutual aid.

3. The Patent Monopoly

Tucker condemned monopolies protected by patents and copyrights, “protecting inventors and authors against competition for a period long enough to enable them to extort ... a reward enormously in excess of ... their services.” Since copying an idea does not deprive the inventor of the idea, or of any tangible property she had before, “intellectual property” really had nothing to do with defending the property of inventors; it meant securing a legal monopoly against competitors who could imitate or duplicate the monopolists’ products at lower cost.

IP has grown vigorously since 1888, as corporate media, technology and scientific innovation made control over the information economy a linchpin of
corporate power. Monopoly profits on IP are the effective business model of Fortune 500 companies like GE, Monsanto, Microsoft and Disney, who demand virtually unlimited legal power to insulate their privileged assets from market competition. Copyright terms have quadrupled in length; while massive, synchronized expansions of Intellectual Protectionism became standard features of neoliberal “free trade agreements” like NAFTA and KORUS FTA. In a freed market these monopolists’ business models would fall – and with them, the ratcheted costs consumers must pay to access culture, medicine, and technology.

4. The Protectionist Monopoly

Tucker identified the protectionist tariff as a monopoly in the sense that it insulated politically-favored domestic producers from foreign competition, and thus ratcheted up daily costs for consumers.

With the rise of multinational corporations and neoliberal trade agreements, tariffs have declined in recent decades. But the specific legal mechanism was less important to Tucker than the purpose of controlling trade to insulate domestic incumbents. In 1888, that meant the tariff. In 2013, it means a vast network of political controls that governments use to manage the “balance of trade,” including not only import tariffs, but also export subsidies, manipulation of exchange rates, and the programs of multi-government agencies like the World Bank and IMF.

The Big Ten and Metastatic Monopolization

Tucker’s Big Four have only grown more pervasive and controlling since the 1880s. But the past century has also seen the metastatic proliferation of government regulatory bodies, intended to restructure new transactions and to capture new markets, alongside the original four monopolies identified by Tucker. An exhaustive list of every ratcheting, concentrating and insulating intervention would run far beyond the scope of this article, but the special pervasiveness, centrality, and far-reaching ripple effects of some of today’s Many Monopolies call out for special attention at least these six major interventions:

1. The Agribusiness Monopoly encompasses the New Deal system of USDA cartels, regulatory burdens, surplus buy-ups, subsidized irrigation, price supports, export subsidies, and similar measures ratcheting up prices, distorting production towards subsidized crops, and concentrating agricultural activity in large-scale, capital-intensive cash-crop monoculture. These government programs – inevitably enacted in the name of “small farmers” – invariably benefit large factory farms and industrial agribusiness conglomerates like ADM, Cargill and Tyson, as well as controlling corporate suppliers like Monsanto.

2. The Infrastructure Monopoly includes both physical and communications infrastructure. Governments build roads, rails and airports through eminent domain and tax subsidies, and impose cartelizing regulations on most forms of mass transit. Where government restricts entry, it secures monopoly profits for insulated carriers; where it confiscates money and property to subsidize long-distance transportation and shipping, it creates tax-supported business opportunities for high mileage agribusiness, big box chain retailers, and other businesses dependent on complex logistics and long-haul trucking. Incumbent telecommunications and media companies like AT&T, Comcast or Verizon accumulate empires by cartelizing bandwidth; control of broadcast frequencies is concentrated through the FCC’s political allocation and oversight requirements; ownership of telephone, cable, and fiber-optic bandwidth is concentrated through local monopoly concessions for each medium. And government directly monopolizes physical infrastructure from roads to rails to interstate highways and airports, subsidized by tax money and often built through the threat or the direct exercise of eminent domain.

3. The Utility Monopoly concentrates control over electricity, water, and natural gas in the hands of massive, centralized producers through comprehensive planning, subsidies, and regional monopolies. Household energy generation, poly-centric neighborhood systems or off-the-grid alternatives are crowded out or regulated to death both through the insulating subsidies to the competitors, and also to the locking-in of existing grid technologies through government building codes.

4. The Security Monopoly sustains highly concentrated, captive markets through a sprawling,
and growing, ecosystem of government suppliers and contractors. With the massive expansion of standing military forces and paramilitary police forces since the late 19th century, government's core monopoly on the use of force has rippled out to sustain multibillion dollar rigged markets in which nominally “private” security firms and industrial manufacturers feed on tax-funded, politically-directed government contracts. The prominent and powerful beneficiaries of the security monopoly include Fortune 500 military-industrial complex engineering and manufacturing corporations, such as Lockheed-Martin, General Dynamics, Halliburton and Raytheon; high-tech weapons manufacturers such as Dow and General Electric; mercenary “security” and military-support firms like Academi (formerly Blackwater) and DynCorp; private-prison contractors like GEO Group (formerly Wackenhut); and the growing number of companies like Taser International or Ameri-can Science and Engineering, who cater primarily to government police forces and to domestic “Homeland Security” agencies.

5. **Regulatory Protectionism** may be the most widely dispersed of the Many Monopolies. Like Tucker’s Protectionist Monopoly, it concentrates and insulates incumbent providers by creating economic hurdles for would-be competitors. Established businesses stifle competition from below by lobbying for regulatory red tape, extortionist fees, and complex licensing for everything from taxi-driving to hairdressing. Industry standards, which would otherwise be set by social convention and market experimentation, are removed from the competitive realm and determined by political pull. High compliance costs insulate incumbents who can afford them from competitors who cannot, shutting the poor out of entrepreneurial opportunities and independent, informal-sector livelihoods.6

6. **The Healthcare Monopoly** is largely a ripple effect of several other monopolies; but it’s worth special notice because of the all-consuming growth of the medical sector, and because concerns about healthcare and health insurance costs so profoundly shape so many decisions about jobs, money and financial planning. The central economic fact of healthcare is a crippling ratchet effect. **Patent Monopolies** ratchet up drug costs, and insulate profits for Pfizer and GlaxoSmithKline. The FDA and medical licensing laws provide a form of **Regulatory Protectionism**, constraining the supply of doctors, hospitals, and pharmaceuticals, concentrating profits, and further ratcheting costs. Every medical need becomes a catastrophic cost, effectively requiring comprehensive insurance. Working-class patients, who once got insurance through fraternal or mutual aid societies, now face a rigged corporate insurance marketplace thoroughly corporatized by the effects of **Money Monopoly** subsidies, mandates, and regulatory control. Insurance giants use their entrenched position to restructure entire markets to the demands of their “managed care.” Meanwhile workers are tethered to their bosses (since leaving jobs means sacrificing health coverage) and face the persistent danger of lost coverage, denied claims and crippling debt.7

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But what about progressive legislation?

Left-wing market anarchists – supplementing Tucker’s analysis of the Four Monopolies controlling the Gilded Age economy, with the new Big Six that the past century has introduced – argue that these Many Monopolies reveal not only a limited or isolated set of government interventions, but a pervasive, interlocking **system** of interventions, with both profound direct consequences, and far-reaching ripple effects, for the structure of everyday economic activity. When we consider how access to land, money, ideas, food, security, healthcare, utilities, infrastructure, industry and basic livelihoods are redirected by political intervention, and (therefore) mediated by captive, concentrated, ratched, and insulated commercial formations, market anarchists see a distinctive structure of protected **state capitalism** controlling the most fundamental, far-reaching, and urgently necessary aspects of daily economic life. And the structural effects of state capitalism go – we argue – a long way towards showing why existing markets work the way they work, and why the fail for many of the people that they fail for. These observations have occasioned a great deal of energetic discussion of corporate privilege within recent libertarian writing;8 they also, often, inspire objections from more conventionally pro-capitalist libertarians.
It is often objected, for example, that the Many Monopolies certainly deform markets toward stereotypically capitalistic business; but then, government intervenes in *more than one direction*. What about the myriad regulations or welfare programs intended to benefit poor people or small players; or intended to constrain the business practices of large, consolidated firms? Sure, these exist; but, first, let’s not put too much faith in government policies’ efficacy in achieving their supposed political aims. As shown in scholarship like Gabriel Kolko’s *Triumph of Conservatism* and Butler Shaffer’s *In Restraint of Trade*, “progressive” regulatory structure and antitrust law, far from curbing big business, really formed the historical core of Regulatory Protectionism, *cartelizing* and *insulating* big business. Moreover, even where these programs *do* tend to produce their stated goals, there are issues of priority and scale to keep in mind. I object to SBA loans, OSHA, or TANF as much as any free marketeer; but in this age of billion-dollar war contracts and trillion-dollar bank bailouts, it ought to be obvious that even when government puts a finger on both sides of the scale, one finger is pushing a lot harder than the other.

**But what about economies of scale?**

What about the explanations that conventional economists have offered to explain capitalistic firms’ greater efficiency, and greater success in unregulated markets, based on the division of labor, on economies of scale, or on gains from trade? Even if some specific firms would decline or fall without the corporate safety-net of the Many Monopolies, wouldn’t large firms, industrial agribusiness, and corporate business models, still outcompete smaller rivals, even without some of the subsidies and monopolies they currently enjoy?

But Tucker, and modern-day market anarchists, *don’t reject* the division of labor, or gains from trade, or large-scale production; only capitalistic organization. We suggest that labor, trade and scale could be *organized along different lines*, and might well, if present forms of organization weren’t locked in by political monopolies. Independent contracting, co-ops, and worker-managed shops are forms of specialization and trade no less than centralized firms. Scale can be *internalized* through central management, or it can be *externalized* through polycentric trade. A corporate economy is only one among many possibilities for dividing labor and exchanging values; the question is whether it predominates because of market forces that would persist in markets free of structural privilege, or because of predicaments that would dissipate when competitors are free to offer alternatives with less centralization, less management, and *more* trade and entrepreneurial independence for ordinary workers.

If Tucker’s analysis proves anything, it proves there are many places in economic life where ordinary people are given a hard shove towards spending money they’d rather not spend, with trading partners they wouldn’t keep, if not for the shove. The most pervasive, far-reaching government interventions foster economic concentration, commercialization, hyperthyroidal scale and the consolidated hierarchy needed to manage it – not because they grow naturally in market economies, but because they grow out of control in the hothouse of socialized costs and inhibited competition.

**The Belt and the Bones**

For most of the 20th century, American libertarians were seen as defenders of “capitalism.” Some – Milton Friedman, Ayn Rand – embraced the term. Others – Hayek, Roy Childs, Karl Hess – were uncomfortable with the identification. They thought it made defenders of *free markets* look like uncritical apologists for the interests and practices of *real-life capitalists* – financiers, big corporations, and the military-industrial complex. But despite occasional dissent, most 20th century libertarians, cheerfully or grudgingly, took up the “capitalist” banner. Most libertarians, and nearly all of their opponents, seemed to agree that libertarianism meant defending business against the attacks of “big government,” and that the purpose of *laissez-faire* was to unleash existing forms of commerce from political restraints.

This was almost a complete reversal from the attitude of traditional libertarians like Tucker, which we might call a sort of “free market anti-capitalism.” Tucker was one of the best-known defenders of free markets in 19th century America, and he happily summarized his economic principles as “Absolute Free Trade ... laissez-faire the universal rule.” Yet at the same time he – like most of the other individualist anarchists – repeatedly described his views as a theory of “Anarchistic Socialism.” The combination could hardly be more jarring to the modern eye. But what could “socialism” mean for an uncompromising free-market individualist like Tucker? Certainly not government control of industry. Rather, what he meant was workers’ control over the conditions of their own labor – con-
control which, Tucker argued, was effectively denied by the legal privileges granted to big business, and by the artificial inequalities of wealth and bargaining power those privileges fostered. For Tucker, then, libertarianism meant opposition to the predominant business structure, and an attack on economic privilege – not by empowering the state to seize the fortunes of capitalists, but by knocking out the political privileges that propped them up, and dismantling their monopolies by exposing them to freed-market competition from below.

The Many Monopolies are, above all, pervasive interventions, and fundamentally shape the everyday reality of the corporate economy. So why then have not only the opponents, but also the supposed advocates of free markets so often missed Tucker’s point about the role of political regulation in institutionalizing capitalist economic models? Why do Progressives so easily lay the blame for inequality, exploitation, and corporate power on “unregulated markets,” and why do so many libertarians respond by trying to make excuses for the corporate capitalist statist quo? Paradoxically, the answer may be that Tucker’s approach is forgotten partly because of the very depth and pervasiveness of the problems it identifies.

The interventions that 20th century market libertarians were most likely to identify and oppose – progressive taxes, welfare programs, environmental regulations – are more politically controversial, but (really, because) they are surface interventions, economically speaking. While aiming to reform or restrain the corporate capitalist economy, each of these political interventions took the basic structural features of that economy – concentration, insulation, ratcheted costs and corporate power – bosses, banks, landlords and massive, entrenched firms – for granted, attempting only to contain their most unsightly downstream effects. Countervailing “progressive” regulations are like a belt put on capitalism. A man may need a belt or he may look better without, but he has the same body, for good or for ill, without the restraint.

But political means that consolidate the Many Monopolies do something more than just interfering further in the outcomes of preexisting market structures. State capitalist privileges shape basic patterns of ownership, access, and cost for essential goods and factors of production. They fundamentally restructure markets, inventing the class structures of ownership, ratcheted costs, and inhibited competition that produce wage-labor, rent, and the corporate economy we face. These primary interventions are no belt for capitalism to wear or take off; they are its very bones. Without them, what’s left is not a different look for the same body – but a totally different organism.

Because you wear a belt on the surface, it’s easy to see, and easy to imagine how you might look without it. Because the belt is hitched by government coercion, 20th century libertarians rightly condemned it – but rarely noticed that however much the anti-business belt constrains the capitalist economy’s natural shape, capitalism without the belt is still a political creature, shaped by intervention down to its pro-business bones. The Monopolies that create capitalists, landlords and financiers, and uphold corporate power, are so deeply embedded in the existing economy, so entrenched in consensus politics, it is easy to mistake them for an economic given, business as usual in a market society.

We might say – with apologies to Shulamith Firestone – that the political economy of state capitalism is so deep as to be invisible. Or it may appear to be a superficial set of interventions, a problem that can be solved by a few legal reforms, perhaps the elimination of the occasional bail-out or export subsidy, while preserving intact the basic recognizable patterns of the corporate economy. But there is something deeper, and more pervasive, at stake. A fully freed market means liberating essential command posts in the economy from state control, to be reclaimed for market and social entrepreneurship. The market that would emerge that would look profoundly different from anything we have now. That so profound a change cannot easily fit into traditional categories of thought, e.g. “libertarian” or “left-wing,” “laissez-faire” or “socialist,” “entrepreneurial” or “anti-capitalist,” is not because these categories do not apply but because they are not big enough: radically free markets burst through them. If there were another word more all-embracing than revolutionary, we would use it. Δ

Notes:

[1] “State Socialism and Anarchism: How Far They Agree, and

[2] The “Homestead Act,” supposed to open Western lands to homesteading, really imposed rigid legal limits on homesteaders, which only certain medium-sized commercial farmers could effectively meet. Smaller farms, and non-farmers, were excluded. Meanwhile, lands actually available to homesteading were ringed around by government giveaways of much of the most valuable land to railroad companies.


[5] See for example the discussion of international trade treaties in “I’m Against Free Trade Agreements Because I’m For Free Trade,” by Charles Johnson (2011), at the Bleeding Heart Libertarians blog (bleedinghearth Libertarians.com/2011/08/im-against-free-trade-agreements-because-im-for-free-trade) or in “Patents Kill” (radgeek.com/gt/2005/04/26/patents_kill) and “Patents Kill, Part III” (radgeek.com/gt/2013/02/13/patents-kill-part-iii) by Charles Johnson, at the Rad Geek People’s Daily blog.


[7] See for example Kevin Carson’s “Health Care and Radical Monopoly,” in The Freeman: Ideas on Liberty 60.2 (March 2010), and “The Healthcare Crisis: A Crisis of Artificial Scarcity,” Center for a Stateless Society Research Paper No. 11, c4ss.org/content/5580


[9] It is, also, worth considering not only different ways in which scale might be organized, but also the extent to which internalized scale carries diseconomies that are obscured by insulating and concentrating deformations of market competition. For a more thorough discussion, see for example “Economic Calculation in the Corporate Commonwealth,” by Kevin Carson (2007), reprinted in Markets Not Capitalism, 213-221, and “The Great Domain of Cost-Plus: The Waste Production Economy,” by Kevin Carson (2010), Center for a Stateless Society

The Road Builders

Voltairine de Cleyre

[Philadelphia, 24 July 1900]

(“Who built the beautiful roads?” queried a friend of the present order, as we walked one day along the macadamized driveway of Fairmount Park.)

I saw them toiling in the blistering sun,
Their dull, dark faces leaning toward the stone,
Their knotted fingers grasping the rude tools,
Their rounded shoulders narrowing in their chest,
The sweat drops dripping in great painful beads.
I saw one fall, his forehead on the rock,
The helpless hand still clutching at the spade,
The slack mouth full of earth.

And he was dead.

His comrades gently turned his face, until
The fierce sun glittered hard upon his eyes,
Wide open, staring at the cruel sky.
The blood yet ran upon the jagged stone;
But it was ended. He was quite, quite dead:
Driven to death beneath the burning sun,
Driven to death upon the road he built.

He was no “hero,” he; a poor, black man,
Taking “the will of God” and asking naught;
Think of him thus, when next your horse’s feet
Strike out the flint spark from the gleaming road;
Think that for this, this common thing, The Road,
A human creature died; ‘tis a blood gift,
To an o’erreaching world that does not thank.
Ignorant, mean and soulless was he? Well, –
Still human; and you drive upon his corpse. Δ

Michigan native Voltairine de Cleyre (1866-1912) – essayist, poet, and activist – was one of the leading writers of the American individualist anarchist movement.