Let the Free Market Eat the Rich!

Economic Entropy as Revolutionary Redistribution

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Anarchy and Distribution

Civil society has become so confused with the institution of the State that anarchists often find it difficult to extricate one from the other when positing a voluntary society. The effects of privilege permeate our culture, our infrastructure, our economic relationships, and our thinking. Therefore, the ability to describe a coherent and distinctive picture of a post-state, post-privilege world is crucial in that it throws contemporary constructs of privilege into stark relief. While disputes about proper means towards a stateless society abound in the anarchist milieu, the most striking distinctions can be discovered by examining the varied predictions of the likely ends of anarchism. Perhaps nothing sets these approaches apart and divides efforts more than competing visions of just property distribution.

A long running debate among anarchists, especially between the individualist and collectivist schools, centers around the justice of wealth disparities. Certainly the existence of the State serves to enrich particular interests at the expense of others, but in anarchy would the rich dominate society - just as they do with the State? Should private property be abolished altogether to force an egalitarian society into existence? Or will private property be the basis for a new, voluntary order where the wealth gap will no longer matter? Even if we could immediately switch off the institutions that forcibly manipulate society, many fear that the legacy of privilege and accumulated wealth could persist for some time, distorting markets and continuing the frustrate the balance of power between individuals.

Individualist anarchists have had a variety of responses to the problems of historical property and wealth maldistribution. Even anarcho-capitalists who see large scale social coordination as the natural direction of society have different views, such as Hans Hermann Hoppe's theory of a natural elite and Murray Rothbard's support of syndicalist takeover of State-supported corporations. On the other side of the coin, left-leaning individualists also entertain a variety of approaches: from agorist advocacy of revolutionary entrepreneurship as a leveling force to mutualists such as Benjamin Tucker and Kevin Carson speculating about the possible need for short term State sponsored redistribution and reform.

At the root of all these competing theories, the key question for anarchists remains: what does a stateless society look like? What exactly are we working towards? It is this difference of vision that divides the efforts of anarchists much more than purely strategic differences. Is a more ecumenical anarchism possible - one that can bring the schools together, at least for activist purposes, not by fighting over predictions and visions but by agreeing on the means by which a voluntary society is achieved?

In the midst of all this theorizing, it is easy to forget that anarchy is - anarchy becomes defined by - however humans naturally interact, not how we wish they would interact. In other words, true anarchy is an empirical reality, and we have only to discover it by removing privilege. Arguing over what it shall be and shall not be presumes we can dictate how humans interact, a positively authoritarian concept. Whatever human nature might be, any anarchism worth pursuing starts there, and the kernel of proportionality and balance that could inform this matter may be sought there as well. Given this approach to anarchism, what can human nature tell us about distributive justice?

In any statist society, those who benefit from the status quo rely first and foremost on the stability and security of the social order. How they achieve this defines politics as we experience it. The purpose of this essay is to demonstrate how large scale aggregations of wealth require an outside stabilizing force and defensive agency to maintain, and how in a free, dynamic market there are entropies that move imbalances back to equilibrium. There is also a proposed basis for a relative equilibrium among people once privileges are abolished. This investigation will identify two main institutions that arise from state intervention in capitalist society: corporations and personal estates.

The Modern Corporation

The modern corporation is a legal entity chartered by the State. Corporations benefit from an arsenal of privileges, such as fiat entity status, personhood and limited liability, which serve to set the rules of the market on terms favorable to corporate investors and managers. The trend has always been to correct any perceived problems with big business by large, top-down regulation, rather than to reexamine the legal constructs that give these institutions such outsized power in our society.

For instance, it is conceivable that a firm could argue effectively in front of a judge for certain of the rights of being a human citizen on a case by case basis, but current established law mandates a clumsy legal equivalence between living human beings and abstract organizations of people and assets (which is historically dubious). The benefit to big business, of course, is to regularize and simplify business legal proceedings, setting aside the legal advantages this gives corporations over individual humans. In the United States, for instance, the ability to exercise first and fourth amendment rights as if the firm were a human being results in corporate campaign contributions and protection from random inspections. It is interesting to see the framers' document limiting government prerogative used to defend not merely the rights of human beings but those of the government's own abstract inventions.

Yet while human rights are invoked, privileges granted by the State to corporations that no human can claim, such as limited liability, represent a fiat subsidy. Imagine the cost of privately insuring the value of the total market capitalization of the world's corporations! But the utility of the subsidy goes even further, because it allows investors to hire managers who have a legal mandate to pursue profits while maintaining a distance from the way the profits are pursued. Highly capitalized firms, who by their sheer size wield far more potential for harm than any single individual, essentially obfuscate the way decisions are made so that if third parties to the stockholder-manager relationship are harmed, stockholders cannot lose more than their investment.

The imbalance of responsibility this enables cannot be underestimated, for it goes to the very heart of corporate economic behavior. What would be different about business, socioeconomics, and politics if stockholders knew that their managers' activities would leave them fully liable for the actions of the corporation and could lose their savings, their car, their house? Limited liability and corporate personhood make possible a way of doing business in a far riskier way than normal people would. How do we know this? Because few people, anarchist or not, would limit the liability of regular human beings, knowing that it is the consequences of undesirable behavior such as violence or theft that helps prevent it.

In a free market, corporations would not be able to rely on the State for their very existence. Any ability to do business as an entity would come from the consent and cooperation of the market - customers, suppliers, contractors, service providers, banks, but most importantly management. Without a Securities and Exchange Commission and intrusive reporting requirements, oversight, and regulatory enforcement, it would be very hard to protect the shareholders at firms of any appreciable size and organizational complexity from outright fraud in a variety of ways. The well-understood legal relationships that govern so much capital finance and business activity would become much more ad hoc and peculiar. Shares in corporations would become even less uniform constructs from business to business, since their terms could vary wildly and they couldn't simply be traded as almost fungible commodities. Unpredictability and risk would skyrocket, which is a much more favorable environment for the small-time entrepreneur than the big, clumsy, bureaucratic corporation.

Think about the huge stabilizing effect of the federal government for making big business anything less than a total ripoff for investors right from the start. Think about the ways government regulation rationalizes markets to make them safe for large industries to exploit and oligopolize. Think about how much leeway the modern CEO is afforded to run the business in pursuit of short term gain, with stockholders often supporting them even as they engage in questionable activities. Enron's reckless destruction of shareholder value is hardly remarkable, when you think about the level of complexity in which they schemed and strategized - the fact that it doesn't happen more often is (until you check your tax bill and realize you're subsidizing the stability and security of others' investments!).

The Personal Estate

Obviously the most direct way in which people benefit from the institutional character of our statist society is through direct ownership. While there are few (if any) rich people who aren't heavily and diversely invested in corporate capitalism and share in its redistribution of wealth and special favors from the government, there are additional State provisions to benefit individuals. Unlike corporate privileges, those which govern the stability of personal estates arguably serve the interests of more modest individuals, especially the middle class. However, I intend to show that the rich benefit far more from fiat stability and socialized security than the rest of us.

The biggest subsidy enjoyed by the wealthy lies in government regulation of finance. By regulating banking through inspections, audits, and the centralized monetary maintenance practiced by the Federal Reserve System, depositors enjoy a level of stability in the system that is quite unrivaled in history. Of course, regular joes like you and I prefer our current experience to frequent crashes and bank runs, but there's a catch: we don't pay for this "service" in proportion to our deposits (or the interest we earn!). Instead, we help subsidize the regulation and maintenance of the financial system from which the elite depositors benefit disproportionately.

Rich depositors are more likely to invest in instruments and accounts which yield higher interests rates. Plus, they're more likely to earn a greater amount of their income directly from the interest on their deposits. The barriers to entry in banking prevent individuals from forming their own mutual banks and force them to rely on the aggregated wealth of big depositors at some level of the hierarchical financial establishment. And because the rich can afford to pay for maintenance of their wealth by managers, accountants, and brokers, they are more likely to anticipate and capitalize upon market shifts than us.

Keep in mind that central regulation and maintenance of markets, groomed and rationalized by the Federal Reserve System, the Federal Deposit Insurance Corporation, and other departments encourages the sort of investment patterns that count on steady profits and interest - phenomena much more likely to benefit the wealthy than those of us investing in 401-Ks and IRAs. By lowering risks, any entrepreneurial profit opportunities for the little guy that regulation kills translate into the stability of markets and the steadiness of investment income. Of course, that benefits those who've already accumulated capital much more than those of us who've yet to achieve our fortune.

However, the extent of State intervention to benefit the rich extends beyond finance into the very real area of asset security. The rich depend on the stability and predictability of systems that ensure and protect their title to their property, but again their benefit from these phenomena dwarfs ours. For example, they count on the government keeping a central repository of property titles to justify excluding others. This takes property off the market and thus raises the value of their property. While it is true that middle class homeowners benefit from these systems, it does not benefit them to nearly the degree it does the rich. Socializing the costs of kicking people off one's land necessarily favors those who have more land to guard.

Police patrols of moneyed neighborhoods provide an example of socialized security, where defense and sentry costs are not paid directly by the beneficiaries. Sure, many wealthy types hire security guards, but they would have to hire many more - and pay much higher insurance premiums - if it were not for public law enforcement at least helping to defend their property, nor the extensive, expensive system of socialized criminal investigation that makes it less likely property will stay stolen and criminals remain at large.

The Entropy of Aggregated Wealth

As I stated earlier, we may find the answer to the problem of persistent wealth imbalances in human nature. Two aspects of that nature are greed and envy. In a market without socialized regulation, stockholders are in constant danger of management and employees siphoning off profits and imperiling the long term viability of the business. Rich individuals face similar uncertainties of theft and fraud by those they employ to maintain and protect their assets. Because the lack of a State would force these costs to be internalized within the entity rather than externalized onto the public, it is highly likely that the costs of maintaining these outsized aggregations of wealth would begin to deplete it.

The balance of power between the rich and non-rich is key here. Direct plundering of wealth, though fraud or theft, threatens the rich in a crippling way. It raises their costs directly in proportion to their wealth, either through insurance costs, defense costs, or losses. They have to worry not just about outside threats, but also the threats posed by their servants, employees, and even their family members. Because the wealth is centralized around one individual or one management team, it is near impossible to find any fair way to distribute the responsibilities of stewardship without distributing the wealth itself. Having a lot of stuff becomes more trouble than it's worth.

Meanwhile, less rich people economize on these costs by banding together with other modest individuals to either hire outside defense (socializing protection on their own, voluntary terms) or by personally organizing to defend property (via institutions such as militias). Because the ratio of person to wealth is relatively greater, there are more interested individuals wiling to play a role in defense and maintenance of property. The distribution of the wealth over more people necessarily eases its protection. And since everybody has basically the same amount of stuff, nobody has an interest in taking advantage of, nor stealing from, others.

In fact, normal human greed suggests that there will always be an element of society that wishes to steal and cheat others. In anarchy, the wealthy offer themselves as easy targets to such criminals, because big estates are harder to defend and so invite more opportunities for plunder. Additionally, it is far more likely that wealthy estates will be targeted because, for instance, it is easier to steal a million dollars worth of cash or property from one location such as a bank or mansion than it is to rob a thousand or so common people. The larger the disparity in wealth, the more intensively the wealthy will be targeted by criminals.

On the other hand, normal people would necessarily be less likely to be targeted by the criminal, for a few reasons. First, since the ratio of human bodies to wealth in a modest community would be much greater, the deterrent effect would be insurmountable to all but the most stupid crooks. Second, once statist regulations and privileges stop making an honest living less of a bad deal, the criminal elements in a modest community are more likely to share in the legitimate wealth of the economy, easing their need to prey on their neighbors. Markets freed from dehumanizing, deracinated centralization imposed for corporate convenience would be fathomable, with plenty of opportunities for entrepreneurship. While by no means a utopia, a genuinely free market would ease the pressures on the lower and middle classes.

The Free Market as Egalitarian Equalizer

This phenomenon of disadvantaged rich and advantaged poor, brought about by the costs of estate and business management, suggests an interesting dynamic. It may be that in a free market there will exist a natural, mean personal wealth value, beyond which diminishing returns enter quickly, and below which one is extremely disposed towards enrichment. If this is true, then that means that normal, productive, and non-privileged people will tend to have similar estate values. This wide distribution of wealth will tend to reinforce bottom-up society and a balance of power unrivaled in history (except maybe in frontier experiences).

In a stateless society, institutions for business and personal organization must derive their permanence from their usefulness not just to an elite few, but from the respect of the entire community - customers, suppliers, neighbors, etc. An entity that can operate efficiently and deliver a steady stream of income, whether an estate or a corporate business, becomes less viable the larger it grows because internal transaction and maintenance costs start to skyrocket. This is a function not of wealth itself, but rather of the inherent difficulty in convincing those with less to honor and defend the property of those with more. The more people benefit from a body of wealth, the more people will support it.

Indeed, the State can be seen as a mechanism for acquiring the consent of the governed to sign onto a program of stabilization that is inherently artificial, precisely due to its disproportionate dividends to established elites. The State co-opts authentic community support or opposition and channels it into modes that are predictable and stable, establishing its institutional identity as indispensable mediator between the very interests in which it promotes opposition. But authentic community stability is no harder to realize in a genuine, stateless society where people participate only in voluntary organizations. Similarly, inauthentic, imposed stability usually benefits those who cannot maintain their position without outside help. Wealthy interests use the State as a way to marshal public support without yielding control or spreading the wealth, as it were.

A truly free market without subsidized security, regulation, and arbitration imposes costs on large scale aggregations of assets that quickly deplete them. I do not think they would be able to survive for very long without the State, even if ”natural elites” exist or some form of social darwinism is proven correct, because natural hierarchies such as those would not need State intervention to maintain their cohesion. One can chalk this up to the fickle and often dark side of human nature, but it's a phenomenon that we cannot just wish away - indeed, we should see a place for these dynamics in the legitimate, bottom-up society.

This theory is not an ironclad prescription of how anarchy must emerge. It is merely a demonstration of how individualist and collectivist visions can both be served without compromising either's interests. Markets and egalitarian distribution of property and wealth are not necessarily mutually exclusive. Perhaps authentic libertarian means of genuinely free markets, taken to their logical conclusion, can effect far more egalitarian and redistributionist ends than we ever dreamed - not as a function of any central State, but rather as a result of its absence.

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