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“Free Market Capitalism” is an Oxymoron

Kevin A. Carson

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It’s pretty much standard for the chattering classes — both liberal and conservative — to refer to something called “our free market system,” also known as “free market capitalism.” To the extent that the right-wingers at Fox and CNBC or on the editorial page of the Wall Street Journal advocate some purer form of “free markets” in contrast to the existing economy, what they mean is essentially the present model of corporate capitalism without the regulatory or welfare state.

But the form taken by the existing capitalist system that we live under owes precious little to free markets. From its beginnings in the late Middle Ages, it has been shaped by massive and ceaseless intervention and enforcement of privilege — much of it breathtakingly brutal — by the state. To adapt a phrase from Orwell, the past has been a boot stamping on a human face.

The state played a central role in creating the defining characteristic of capitalism as we know it: the wage system. Had free markets been allowed to develop peacefully, with the peasant majorities remaining in control of their land and with free access to

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the means of subsistence, labor markets would likely have taken a much different form. Employers would have had to compete with the possibility of self-employment, available to the vast majority of the population. But thanks to Enclosures and similar land expropriations over a period of several centuries, the majority of the population was turned into a landless proletariat totally dependant on wage labor for its subsistence.

As if this weren't enough, the British state imposed totalitarian social controls on the working class in the early days of the Industrial Revolution to reduce the bargaining power of labor. The Laws of Settlement, for example, acted as a sort of internal passport system, forbidding workers to leave their parish of birth in search of better terms of employment without permission. The Poor Law authorities then came to the rescue of employers in the underpopulated industrial North, by auctioning off laborers — cheaply — from the parish workhouses of London.

Over a period of several centuries the European powers brought most of the Earth under their subjection and imposed similar land expropriations and social controls on the peoples of the Third World, and looted the mineral resources and raw materials of most of the world.

A wide range of thinkers, from the free market anarchist Lysander Spooner to the Marxist Immanuel Wallerstein, have pointed out historic capitalism's continuities with feudalism. Capitalism, as a historic system of political economy, was really just an outgrowth of feudalism with markets grafted in and allowed to operate in the interstices to a limited extent.

The state also played a central role in the rise of corporate capitalism from the late 19th century on. The railroad land grants created a single national market in the U.S., externalizing the costs of long-distance distribution on the taxpayer, and led to industrial firms and markets far larger than would otherwise have existed. Patent law and assorted regulations passed during the Progressive

Era served to cartelize markets under the control of a handful of oligopoly firms.

In the twentieth century, the state played a growing role in absorbing the surplus output of overbuilt industry or guaranteeing an overseas market for it. The leading industrial sectors were state creations: the automobile-highway complex, civil aviation, the military-industrial complex and outgrowths like miniaturized electronics and industrial automation.

The neoliberal economy of the past twenty years is overwhelmingly dependent on the draconian enforcement of “intellectual property” law. The dominant sectors in the corporate global economy — software, entertainment, biotech, pharma, agribusiness, electronics — are all almost entirely dependent for their profits either on “intellectual property” or direct subsidies from the state. The central function of the U.S. national security state since WWII has been to make the world safe for corporate power through the overthrow of unfriendly governments.

Both the statist right and the statist left, for their own reasons, equate the “free market” to corporate capitalism, and promote the myth that corporate capitalism as we know it is what would naturally have emerged from a free market absent state intervention to prevent it. The statist right want to defend the legitimacy of big business, and the statist left want to make you think you need them to defend you against big business.

But the exact opposite is true. Big business has been a creature of the state from the beginning. And genuinely free markets would operate as dynamite at the foundations of corporate power.

And that's exactly what those of us on the free market left want to do.