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# The Iron Fist Behind The Invisible Hand

Corporate Capitalism As a State-Guaranteed  
System of Privilege

Kevin Carson

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## INTRODUCTION

Manorialism, commonly, is recognized to have been founded by robbery and usurpation; a ruling class established itself by force, and then compelled the peasantry to work for the profit of their lords. But no system of exploitation, including capitalism, has ever been created by the action of a free market. Capitalism was founded on an act of robbery as massive as feudalism. It has been sustained to the present by continual state intervention to protect its system of privilege, without which its survival is unimaginable.

The current structure of capital ownership and organization of production in our so-called "market" economy, reflects coercive state intervention prior to and extraneous to the market. From the outset of the industrial revolution, what is nostalgically called "laissez-faire" was in fact a system of continuing state intervention to subsidize accumulation, guarantee privilege, and maintain work discipline.

Most such intervention is tacitly assumed by mainstream right-libertarians as part of a "market" system. Although a few intellectually honest ones like Rothbard and Hess were willing to look into the role of coercion in creating capitalism, the Chicago school and Randoids take existing property relations and class power as a given. Their ideal "free market" is merely the current system minus the progressive regulatory and welfare state - i.e., nineteenth century robber baron capitalism.

But genuine markets have a value for the libertarian left, and we shouldn't concede the term to our enemies. In fact, capitalism - a system of power in which ownership and control are divorced from labor—could not survive in a free market. As a mutualist anarchist, I believe that expropriation of surplus value - i.e., capitalism - cannot occur without state coercion to maintain the privilege of usurer, landlord, and capitalist. It was for this reason that the free market anarchist Benjamin Tucker

- from whom right-libertarians selectively borrow - regarded himself as a libertarian socialist.

It is beyond my ability or purpose here to describe a world where a true market system could have developed without such state intervention. A world in which peasants had held onto their land and property was widely distributed, capital was freely available to laborers through mutual banks, productive technology was freely available in every country without patents, and every people was free to develop locally without colonial robbery, is beyond our imagination. But it would have been a world of decentralized, small-scale production for local use, owned and controlled by those who did the work - as different from our world as day from night, or freedom from slavery.

## THE SUBSIDY OF HISTORY

Accordingly, the single biggest subsidy to modern corporate capitalism is the subsidy of history, by which capital was originally accumulated in a few hands, and labor was deprived of access to the means of production and forced to sell itself on the buyer's terms. The current system of concentrated capital ownership and large-scale corporate organization is the direct beneficiary of that original structure of power and property ownership, which has perpetuated itself over the centuries.

For capitalism as we know it to come about, it was essential first of all for labor to be separated from property. Marxians and other radical economists commonly refer to the process as "primitive accumulation." *"What the capitalist system demanded was. . . a degraded and almost servile condition of the mass of the people, the transformation of them into mercenaries, and of their means of labor into capital."* That meant expropriating the land, *"to which the [peasantry] has the same feudal rights as the lord*

mortgage is slavery. The hours worked to pay unnecessary distribution and marketing costs (comprising half of retail prices), because of subsidies to economic centralization, is slavery. Every additional hour someone works to meet his basic needs, because the state tilts the field in favor of the bosses and forces him to sell his labor for less than it is worth, is slavery.

All these forms of slavery together probably amount to half our working hours. If we kept the full value of our labor, we could probably maintain current levels of consumption with a work week of twenty hours. As Bill Haywood said, for every man who gets a dollar he didn't sweat for, someone else sweated to produce a dollar he never received.

Our survey also casts doubt on the position of "anarchist" social democrat Noam Chomsky, who is notorious for his distinction between "visions" and "goals." His long-term vision is a decentralized society of self-governing communities and workplaces, loosely federated together - the traditional anarchist vision. His immediate goal, however, is to strengthen the regulatory state in order to break up "private concentrations of power," before anarchism can be achieved. But if, as we have seen, capitalism is dependent on the state to guarantee its survival, it follows that it is sufficient to eliminate the statist props to capitalism. In a letter of 4 September 1867, Engels aptly summed up the difference between anarchists and state socialists: *"They say 'abolish the state and capital will go to the devil.' We propose the reverse."* Exactly.

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their kind tend to squeal like pigs when we talk about class, it's because they've been stuck. But all the squealing in the world won't change the facts.

But what are the implications of the above facts for our movement? It is commonly acknowledged that the manorial economy was founded on force. Although you will never see the issue addressed by Milton Friedman, intellectually honest right libertarians like Rothbard acknowledge the role of the state in creating European feudalism and American slavery. Rothbard, drawing the obvious conclusion from this fact, acknowledged the right of peasants or freed slaves to take over their "*forty acres and a mule*" without compensation to the landlord.

But we have seen that industrial capitalism, to the same extent as manorialism or slavery, was founded on force. Like its predecessors, capitalism could not have survived at any point in its history without state intervention. Coercive state measures at every step have denied workers access to capital, forced them to sell their labor in a buyer's market, and protected the centers of economic power from the dangers of the free market. To quote Benjamin Tucker again, landlords and capitalists cannot extract surplus value from labor without the help of the state. The modern worker, like the slave or the serf, is the victim of ongoing robbery; he works in an enterprise built from past stolen labor. By the same principles that Rothbard recognized in the agrarian realm, the modern worker is justified in taking direct control of production, and keeping the entire product of his labor.

In a very real sense, every subsidy and privilege described above is a form of slavery. Slavery, simply put, is the use of coercion to live off of someone else's labor. For example, consider the worker who pays \$300 a month for a drug under patent, that would cost \$30 in a free market. If he is paid \$15 an hour, the eighteen hours he works every month to pay the difference are slavery. Every hour worked to pay usury on a credit card or

*himself.*" [Marx, "Chapter 27: The Expropriation," Capital vol. 1]

To grasp the enormity of the process, we must understand that the nobility's rights in land under the manorial economy were entirely a feudal legal fiction deriving from conquest. The peasants who cultivated the land of England in 1650 were descendants of those who had occupied it since time immemorial. By any standard of morality, it was their property in every sense of the word. The armies of William the Conqueror, by no right other than force, had compelled these peasant proprietors to pay rent on their own land.

J. L. and Barbara Hammond treated the sixteenth century village and open field system as a survival of the free peasant society of Anglo-Saxon times, with landlordism superimposed on it. The gentry saw surviving peasant rights as a hindrance to progress and efficient farming; a revolution in their own power was a way of breaking peasant resistance. Hence the agricultural community was "*taken to pieces. . . and reconstructed in the manner in which a dictator reconstructs a free government.*" [The Village Labourer 27-28, 35-36].

When the Tudors gave expropriated monastic lands to the nobility, the latter "*drove out, en masse, the hereditary sub tenants and threw their holdings into one.*" [Marx, "The Expropriation"]. This stolen land, about a fifth of the arable land of England, was the first large-scale expropriation of the peasantry.

Another major theft of peasant land was the "reform" of land law by the seventeenth century Restoration Parliament. The aristocracy abolished feudal tenures and converted their own estate in the land, until then "*only a feudal title,*" into "*rights of modern private property.*" In the process, they abolished the tenure rights of copyholders. Copyholders were de jure tenants under feudal law, but once they paid a negligible quit-rent fixed by custom, the land was theirs to sell or bequeath. In substance copyhold tenure was a manorial equivalent of freehold; but since it derived from custom it was en-

forceable only in the manor courts. Under the "reform," tenants in copyhold became tenants at-will, who could be evicted or charged whatever rent their lord saw fit [Marx, "The Expropriation..."].

Another form of expropriation, which began in late medieval times and increased drastically in the eighteenth century, was the enclosure of commons—in which, again, the peasants communally had as absolute a right of property as any defended by today's "property rights" advocates. Not counting enclosures before 1700, the Hammonds estimated total enclosures in the eighteenth and nineteenth centuries at a sixth or a fifth of the arable land in England [Village Labourer 42]. E. J. Hobsbawm and George Rude estimated enclosures between 1750 and 1850 alone as transforming "something like one quarter of the cultivated acreage from open field, common land, meadow or waste into private fields..." [Captain Swing 27].

The ruling classes saw the peasants' right in commons as a source of economic independence from capitalist and landlord, and thus a threat to be destroyed. Enclosure eliminated "a dangerous centre of indiscipline" and compelled workers to sell their labor on the masters' terms. Arthur Young, a Lincolnshire gentleman, described the commons as "a breeding-ground for 'barbarians,' 'nursing up a mischievous race of people.'" "[E]very one but an idiot knows," he wrote, "that the lower classes must be kept poor, or they will never be industrious." The Commercial and Agricultural Magazine warned in 1800 that leaving the laborer "possessed of more land than his family can cultivate in the evenings" meant that "the farmer can no longer depend on him for constant work." [Thompson, The Making of the English Working Class, 219-220, 358]. Sir Richard Price commented on the conversion of self-sufficient proprietors into "a body of men who earn their subsistence by working for others." There would, "perhaps, be more labour, because there will be more compulsion to it." [Marx, "The Expropriation..."].

Reagan's crony Giuffrida resurfaced as head of FEMA, where he worked with Oliver North to fine-tune GARDEN PLOT. North, as the NSC liaison with FEMA from 1982-84, developed a plan "to suspend the constitution in the event of a national crisis, such as nuclear war, violent and widespread internal dissent or national opposition to a U.S. military invasion abroad." [Chardy, "Reagan Aides and the 'Secret' Government"]. GARDEN PLOT, interestingly, was implemented during the Rodney King Riots and in recent anti-globalization protests. Delta Force provided intelligence and advice in those places and at Waco [Rosenberg, The Empire Strikes Back; Cockburn, The Jackboot State].

Another innovation is to turn everyone we deal with into a police agent. Banks routinely report "suspicious" movements of cash; under "know your customer" programs, retailers report purchases of items which can conceivably be used in combination to manufacture drugs; libraries come under pressure to report on readers of "subversive" material; DARE programs turn kids into police informers.

Computer technology has increased the potential for surveillance to Orwellian levels. Pentium III processors were revealed to embed identity codes in every document written on them. Police forces are experimenting with combinations of public cameras, digital face-recognition technology, and databases of digital photos. Image Data LLC, a company in the process of buying digital drivers licence photos from all fifty states, was exposed as a front for the Secret Service.

## CONCLUSION

It is almost too easy to bring back Bob Novak and Secretary O'Neill for another kick—but I can't resist. "Marxist class warfare?" "Robber baron rhetoric?" Well, the pages above recount the "class warfare" waged by the robber barons themselves. If



the system was collapsing from demand overload, because of an excess of democracy.

Corporations embraced the full range of union-busting possibilities in Taft-Hartley, risking only token fines from the NLRB. They drastically increased management resources devoted to workplace surveillance and control, a necessity because of discontent from stagnant wages and mounting workloads [Fat and Mean]. Wages as a percentage of value added have declined drastically since the 1970s; all increases in labor productivity have been channelled into profit and investment, rather than wages. A new Cold War military buildup further transferred public resources to industry.

A series of events like the fall of Saigon, the nonaligned movement, and the New International Economic Order were taken as signs that the transnational corporate empire was losing control. Reagan's escalating intervention in Central America was a partial response to this perception. But more importantly the Uruguay Round of GATT snatched total victory from the jaws of defeat; it ended all barriers to TNCs buying up entire economies, locked the west into monopoly control of modern technology, and created a world government on behalf of global corporations.

In the meantime the U.S. was, in the words of Richard K. Moore, importing techniques of social control from the imperial periphery to the core area. With the help of the Drug War and the National Security State, the apparatus of repression continued to grow. The Drug War has turned the Fourth Amendment into toilet paper; civil forfeiture, with the aid of jailhouse snitches, gives police the power to steal property without ever filing charges - a lucrative source of funds for helicopters and kevlar vests. SWAT teams have led to the militarization of local police forces, and cross-training with the military has led many urban police departments to view the local population as an occupied enemy [Weber, Warrior Cops].

Marx cited parliamentary "acts of enclosure" as evidence that the commons, far from being the "*private property of the great landlords who have taken the place of the feudal lords*," actually required "*a parliamentary coup detat... for its transformation into private property*." ["The Expropriation..."]. The process of primitive accumulation, in all its brutality, was summed up by the same author:

*these new freedmen [i.e. former serfs] became sellers of themselves only after they had been robbed of all their own means of production, and of all the guarantees of existence afforded by the old feudal arrangements. And the history of this, their expropriation, is written in the annals of mankind in letters of blood and fire* ["Chapter 26: The Secret of Primitive Accumulation," Capital Vol. 1].

Even then, the working class was not sufficiently powerless. The state had to regulate the movement of labor, serve as a labor exchange on behalf of capitalists, and maintain order. The system of parish regulation of the movement of people, under the poor laws and vagrancy laws, resembled the internal passport system of South Africa, or the reconstruction era Black Codes. It "*had the same effect on the English agricultural labourer*," Marx wrote, "*as the edict of the Tartar Boris Godunov on the Russian peasantry*." ["The Expropriation..."] Adam Smith ventured that there was "*scarce a poor man in England of forty years of age... who has not in some part of his life felt himself most cruelly oppressed by this ill-contrived law of settlements*." [Wealth of Nations 61].

The state maintained work discipline by keeping laborers from voting with their feet. It was hard to persuade parish authorities to grant a man a certificate entitling him to move to another parish to seek work. Workers were forced to stay put and bargain for work in a buyer's market [Smith 60-61].

At first glance this would seem to be inconvenient for parishes with a labor shortage [Smith 60]. Factories were built at sources of water power, generally removed from centers of population. Thousands of workers were needed to be imported from far away. But the state saved the day by setting itself up as a middleman in providing labor-poor parishes with cheap surplus labor from elsewhere, depriving workers of the ability to bargain for better terms. A considerable trade arose in child laborers who were in no position to bargain in any case [the Hammonds, *The Town Labourer* 1:146].

Relief "was seldom bestowed without the parish claiming the exclusive right of disposing, at their pleasure, of all the children of the person receiving relief," in the words of the Committee on Parish Apprentices, 1815 [the Hammonds, *Town Labourer* 1:44, 147]. Even when Poor Law commissioners encouraged migration to labor-poor parishes, they discouraged adult men and "Preference was given to 'widows with large families of children or handicraftsmen... with large families.'" In addition, the availability of cheap labor from the Poor Law commissioners was deliberately used to drive down wages; farmers would discharge their own day laborers and instead apply to the overseer for help [Thompson 223-224].

Although the Combination Laws theoretically applied to masters as well as workmen, in practice they were not enforced against the latter [Smith 61; the Hammonds, *Town Labourer* 1:74]. "A Journeyman Cotton Spinner" - a pamphleteer quoted by E. P. Thompson [pp. 199-202] - described "an abominable combination existing amongst the masters," in which workers who had left their masters because of disagreement over wages were effectively blacklisted. The Combination Laws required suspects to answer interrogations on oath, empowered magistrates to give summary judgment, and allowed summary forfeiture of funds accumulated to aid the families of strikers [Town Labourer 123-127]. And the laws setting maximum rates of pay amounted to a state enforced system of combination for the

of repression which began in the 1970s, though less intense, has been permanently institutionalized to a unique extent.

Until the late 1960s, elite perspective was governed by the New Deal social contract. The corporate state would buy stability and popular acquiescence in imperialist exploitation abroad by guaranteeing a level of prosperity and security to the middle class. In return for higher wages, unions would enforce management control of the workplace. But starting during the Vietnam era, the elite's thinking underwent a profound change.

They concluded from the 1960s experience that the social contract had failed. In response to the antiwar protests and race riots, LBJ and Nixon began to create an institutional framework for martial law, to make sure that any such disorder in the future could be dealt with differently. Johnson's operation GARDEN PLOT involved domestic surveillance by the military, contingency plans for military cooperation with local police in suppressing disorder in all fifty states, plans for mass preventive detention, and joint exercises of police and the regular military [Morales, U.S. Military Civil Disturbance Planning]. Governor Reagan and his National Guard chief Louis Giuffrida were enthusiastic supporters of GARDEN PLOT exercises in California. Reagan was also a pioneer in creating quasi-military SWAT teams, which now exist in every major town.

The wave of wildcat strikes in the early 1970s showed that organized labor could no longer keep its part of the bargain, and that the social contract should be reassessed. At the same time, the business press was flooded with articles on the impending "capital shortage," and calls for shifting resources from consumption to capital accumulation. They predicted frankly that a cap on real wages would be hard to force on the public in the existing political environment [Boyte, *Backyard Revolution* pp. 13-16]. This sentiment was expressed by Huntington et al. in *The Crisis of Democracy* (a paper for the Trilateral Institution - a good proxy for elite thinking); they argued that

A closely related subsidy is the exemption from capital gains of securities transactions involved in corporate mergers (i.e. "stock swaps") - even though premiums are usually paid well over the market value of the stock [Green p. 11]. The 1986 tax reform included a provision which prevented corporations from deducting fees for investment banks and advisers involved in leveraged buyouts. The 1996 minimum wage increase repealed this provision, with one exception: interest deductions were removed for employee buyouts [Judis, "Bare Minimum"].

Right libertarians like Rothbard object to classifying tax expenditures as subsidies. It presumes that tax money rightfully belongs to the government, when in fact the government is only letting them keep what is rightfully theirs. The tax code is indeed unfair, but the solution is to eliminate the taxes for everyone, not to level the code up [Rothbard, Power and Market p. 104]. This is a very shaky argument. Supporters of tax code reform in the 1980s insisted that the sole legitimate purpose of taxation was to raise revenue, not to provide carrots and sticks for social engineering purposes. And, semantic quibbling aside, the current tax system would be exactly the same if we started out with zero tax rates and then imposed a punitive tax only on those not engaged in favored activities. Either way, the uneven tax policy gives a competitive advantage to privileged industries.

## POLITICAL REPRESSION

In times of unusual popular consciousness and mobilization, when the capitalist system faces grave political threats, the state resorts to repression until the danger is past. The major such waves in this country - the Haymarket reaction, and the red scares after the world wars - are recounted by Goldstein [Political Repression in Modern America]. But the wave

masters. As Adam Smith put it, "[w]henver the legislature attempts to regulate the differences between the masters and their workmen, its counsellors are always the masters." [p. 61].

The working class lifestyle under the factory system, with its new forms of social control, was a radical break with the past. It involved drastic loss of control over their own work. The seventeenth century work calendar was still heavily influenced by medieval custom. Although there were long days in spurts between planting and harvest, intermittent periods of light work and the proliferation of saints days combined to reduce average work-time well below our own. And the pace of work was generally determined by the sun or the biological rhythms of the laborer, who got up after a decent night's sleep, and sat down to rest when he felt like it. The cottager who had access to common land, even when he wanted extra income from wage labor, could take work on a casual basis and then return to working for himself. This was an unacceptable degree of independence from a capitalist standpoint.

*"In the modern world most people have to adapt themselves to some kind of discipline, and to observe other people's timetables, ...or work under other people's orders, but we have to remember that the population that was flung into the brutal rhythm of the factory had earned its living in relative freedom, and that the discipline of the early factory was particularly savage... No economist of the day, in estimating the gains or losses of factory employment, ever allowed for the strain and violence that a man suffered in his feelings when he passed from a life in which he could smoke or eat, or dig or sleep as he pleased, to one in which somebody turned the key on him, and for fourteen hours he had not even the right to whistle. It was like entering the airless*

*and laughterless life of a prison*" [the Hammonds, Town Labourer 1:33-34].

The factory system could not have been imposed on workers without first depriving them of alternatives, and forcibly denying access to any source of economic independence. No unbroken human being, with a sense of freedom or dignity, would have submitted to factory discipline. Stephen Marglin compared the nineteenth century textile factory, staffed by pauper children bought at the workhouse slave market, to Roman brick and pottery factories which were manned by slaves. In Rome, factory production was exceptional in manufactures dominated by freemen. The factory system, throughout history, has been possible only with a work force deprived of any viable alternative.

*The surviving facts... strongly suggest that whether work was organized along factory lines was in Roman times determined, not by technological considerations, but by the relative power of the two producing classes. Freedmen and citizens had sufficient power to maintain a guild organization. Slaves had no power - and ended up in factories ["What Do Bosses Do?"].*

The problem with the old "putting out" system, in which cottage workers produced textiles on a contractual basis, was that it only eliminated worker control of the product. The factory system, by eliminating worker control of the production process, had the advantage of discipline and supervision, with workers organized under an overseer.

*"the origin and success of the factory lay not in technological superiority, but in the substitution of the capitalist's for the worker's control of the work process and the quantity of output, in the change in the*

initiation of "corporate welfare," but involve the tax codes of fifty states and the public records of thousands of municipalities. Besides money pimps in the state and local governments are embarrassed by the sweet deals they give their corporate johns. In my own state of Arkansas, the incorruptible Baptist preacher who serves as governor opposed a bill to require quarterly public reports from the Department of Economic Development on its special tax breaks to businesses. "[K]eeping incentive records from public scrutiny is important in attracting business," and releasing "proprietary information" could have a "chilling effect." [Arkansas Democrat-Gazette 3 Feb. 2001]. But state and local corporate welfare could easily amount to a figure comparable to federal.

Taken as a whole, direct tax breaks to business at all levels of government are probably on the same order of magnitude as corporate profits. And this understates the effect of corporate welfare, since it disproportionately goes to a handful of giant firms in each industry. For example, accelerated depreciation favors expansion by existing firms. New firms find it of little benefit, since they are likely to lose money their first few years. An established firm, however, can run a loss in a new venture and charge the accelerated depreciation against its profits on old facilities [Baratz, "Corporate Giants and the Power Structure"].

The most outrageous of these tax expenditures is the subsidy to the actual financial transactions by which capital is concentrated. The interest deduction on corporate debt, most of which was run up on leveraged buyouts and acquisitions, costs the treasury over \$200 billion a year [Zepezauer p. 122-123]. Without this deduction, the wave of mergers in the 1980s, or the megamergers of the 1990s, could never have taken place. On top of everything else, this acts as a massive direct subsidy to banking, increasing the power of finance capital in the corporate economy to a level greater than it has been since the Age of Morgan.

*inction between risk-taking and recklessness [Ibid. pp. 278-279].*

So much for profit as a reward for the entrepreneur's risk. These "entrepreneurs" make their profits in the same way as a seventeenth-century courtier, by obtaining the favor of the king. To quote Chomsky,

*"the sectors of the economy that remain competitive are those that feed from the public trough... The glories of Free Enterprise provide a useful weapon against government policies that might benefit the general population... But the rich and powerful... have long appreciated the need to protect themselves from the destructive forces of free-market capitalism, which may provide suitable themes for rousing oratory, but only so long as the public handout and the regulatory and protectionist apparatus are secure, and state power is on call when needed"* (Chomsky, *Deterring Democracy* p. 144).

Dwayne Andreas, the CEO of Archer Daniels Midland, admitted that "[t]here is not one grain of anything in the world that is sold in the free market. Not one. The only place you see a free market is in the speeches of politicians." [Don Carney, "Dwayne's World"].

Big business also enjoys financial support through the tax code. It is likely that most of the Fortune 500 would go bankrupt without corporate welfare. Direct federal tax breaks to business in 1996 were close to \$350 billion [Based on my crunching on numbers in Zepezauer and Naiman, *Take the Rich Off Welfare*]. This figure, for federal corporate welfare alone, is over two-thirds of annual corporate profits for 1996 (\$460 billion) [Statistical Abstract of the United States 1996].

Estimates of state and local tax breaks is fairly impressionistic, since they vary not only with each critic's subjective def-

*workman's choice from one of how much to work and produce, based on his preferences for leisure and goods, to one of whether or not to work at all, which of course is hardly much of a choice."*

Marglin took Adam Smith's classic example of the division of labor in pin-making, and stood it on its head. The increased efficiency resulted, not from the division of labor as such, but from dividing and sequencing the process into separate tasks in order to reduce set-up time. This could have been accomplished by a single cottage workman separating the various tasks and then performing them sequentially (i.e., drawing out the wire for an entire run of production, then straightening it, then cutting it, etc.).

*"without specialization, the capitalist had no essential role to play in the production process. If each producer could himself integrate the component tasks of pin manufacture into a marketable product, he would soon discover that he had no need to deal with the market for pins through the intermediation of the putter-outer. He could sell directly and appropriate to himself the profit that the capitalist derived from mediating between the producer and the market."*

This principle is at the center of the history of industrial technology for the last two hundred years. Even given the necessity of factories for some forms of large-scale, capital-intensive manufacturing, there is usually a choice between alternate productive technologies within the factory. Industry has consistently chosen technologies which de-skill workers and shift decision-making upward into the managerial hierarchy. As long ago as 1835, Dr. Andrew Ure (the ideological grandfather of Taylorism and Fordism), argued that the more

skilled the workman, "the more self-willed and... the less fit a component of a mechanical system" he became. The solution was to eliminate processes which required "peculiar dexterity and steadiness of hand... from the cunning workman" and replace them by a "mechanism, so self-regulating, that a child may superintend it." [Philosophy of Manufactures, in Thompson 360]. And the principle has been followed throughout the twentieth century. William Lazonick, David Montgomery, David Noble, and Katherine Stone have produced an excellent body of work on this theme. Even though corporate experiments in worker self-management increase morale and productivity, and reduce injuries and absenteeism, beyond the hopes of management, they are usually abandoned out of fear of loss of control.

Christopher Lasch, in his foreword to Noble's *America by Design*, characterized the process of de-skilling in this way:

*"The capitalist, having expropriated the worker's property, gradually expropriated his technical knowledge as well, asserting his own mastery over production..."*

*"The expropriation of the worker's technical knowledge had as a logical consequence the growth of modern management, in which technical knowledge came to be concentrated. As the scientific management movement split up production into its component procedures, reducing the worker to an appendage of the machine, a great expansion of technical and supervisory personnel took place in order to oversee the productive process as a whole" [pp. xi-xii].*

The expropriation of the peasantry and imposition of the factory labor system was not accomplished without resistance; the workers knew exactly what was being done to them and

with massive spillover into the electronics, machine tool, and other industries [Noble, *Forces of Production* pp. 6-7; Kofsky, *Harry S. Truman and the War Scare of 1948*].

## OTHER SUBSIDIES

Infrastructure and military spending are not the only examples of the process by which cost and risk are socialized, and profit is privatized - or, as Rothbard put it, by which "our corporate state uses the coercive taxing power either to accumulate corporate capital or to lower corporate costs." ["Confessions of a Right-Wing Liberal"]. Some of these government assumptions of risk and cost are ad hoc and targeted toward specific industries.

Among the greatest beneficiaries of such underwriting are electrical utilities. Close to 100% of all research and development for nuclear power is either performed by the government itself, in its military reactor program, or by lump-sum R & D grants; the government waives use-charges for nuclear fuels, subsidizes uranium production, provides access to government land below market price (and builds hundreds of miles of access roads at taxpayer expense), enriches uranium, and disposes of waste at sweetheart prices. The Price-Anderson Act of 1957 limited the liability of the nuclear power industry, and assumed government liability above that level [Adams and Brock pp. 279-281]. A Westinghouse official admitted in 1953,

*If you were to inquire whether Westinghouse might consider putting up its own money.., we would have to say "No." The cost of the plant would be a question mark until after we built it and, by that sole means, found out the answer. We would not be sure of successful plant operation until after we had done all the work and operated successfully... This is still a situation of pyramiding uncertainties... There is a dis-*

profits virtually guaranteed by the state. The entire manufacturing sector, as a whole, was permanently expanded beyond recognition by an infusion of federal money during World War II. In 1939 the entire manufacturing plant of the U.S. was valued at \$40 billion. By 1945, another \$26 billion worth of plant and equipment had been built, "two thirds of it paid for directly from government funds." The top 250 corporations in 1939 owned 65% of plant and equipment, but during the war operated 79% of all new facilities built with government funds [Mills, *The Power Elite* p. 101].

Machine tools were vastly expanded by the war. In 1940, 23% of machine tools in use were less than 10 years old. By 1945, the figure had grown to 62%. The industry contracted rapidly after 1945, and would probably have gone into a depression, had it not returned to wartime levels of output during Korea and remained that way throughout the Cold War. The R & D complex, likewise, was a creation of the war. Between 1939 and 1945, the share of AT&T research expenditures made up of government contracts expanded from 1% to 83%. Over 90% of the patents resulting from government-funded wartime research were given away to industry. The modern electronics industry was largely a product of World War II and Cold War spending (e.g., miniaturization of circuits for bomb proximity fuses, high capacity computers for command and control, etc.) [Noble, *Forces of Production* pp. 8-16].

The jumbo jet industry would never have come about without continuous Cold War levels of military spending. The machine tools needed for producing large aircraft were so complex and expensive that no "small peacetime orders" would have provided a sufficient production run to pay for them. Without large military orders, they would simply not have existed. The aircraft industry quickly spiraled into red ink after 1945, and was near bankruptcy at the beginning of the 1948 war scare, after which Truman restored it to life with massive spending. By 1964, 90% of aerospace R & D was funded by the government,

what they had lost. During the 1790s, when rhetoric from the Jacobins and Tom Paine were widespread among the radicalized working class, the rulers of "the cradle of liberty" lived in terror that the country would be swept by revolution. The system of police state controls over the population resembled an alien occupation regime. The Hammonds referred to correspondence between north-country magistrates and the Home Office, in which the law was frankly treated "as an instrument not of justice but of repression," and the working classes "appear[ed]... conspicuously as a helot population." [Town Labourer 72]

*"... in the light of the Home Office papers, ...none of the personal rights attaching to Englishmen possessed any reality for the working classes. The magistrates and their clerks recognized no limit to their powers over the freedom and the movements of working men. The Vagrancy Laws seemed to supercede the entire charter of an Englishman's liberties. They were used to put into prison any man or woman of the working class who seemed to the magistrate an inconvenient or disturbing character. They offered the easiest and most expeditious way of proceeding against any one who tried to collect money for the families of locked-out workmen, or to disseminate literature that the magistrates thought undesirable"*[Ibid. 80].

Peel's "bobbies" - professional law enforcement - replaced the posse comitatus system because the latter was inadequate to control a population of increasingly disaffected workmen. In the time of the Luddite and other disturbances, crown officials warned that "to apply the Watch and Ward Act would be to put arms into the hands of the most powerfully disaffected." At the outset of the wars with France, Pitt ended the practice

of quartering the army in alehouses, mixed with the general population. Instead, the manufacturing districts were covered with barracks, as "purely a matter of police." The manufacturing areas "came to resemble a country under military occupation." [Ibid. 91-92].

Pitt's police state was supplemented by quasi-private vigilantism, in the time-honored tradition of blackshirts and death squads ever since. For example the "Association for the Protection of Property against Republicans and Levellers" - an anti-Jacobin association of gentry and mill-owners - conducted house-to-house searches and organized Guy Fawkes-style effigy burnings against Paine; "Church and King" mobs terrorised suspected radicals [Chapter Five, "Planting the Liberty Tree," in Thompson].

Thompson characterized this system of control as "political and social apartheid," and argued that "the revolution which did not happen in England was fully as devastating" as the one that did happen in France [pp. 197-198].

Finally, the state aided the growth of manufactures through mercantilism. Modern exponents of the "free market" generally treat mercantilism as a "misguided" attempt to promote some unified national interest, adopted out of sincere ignorance of economic principles. In fact, the architects of mercantilism knew exactly what they were doing. Mercantilism was extremely efficient for its real purpose: making wealthy manufacturing interests rich at the expense of everyone else. Adam Smith consistently attacked mercantilism, not as a product of economic error, but as a quite intelligent attempt by powerful interests to enrich themselves through the coercive power of the state.

British manufacturing was created by state intervention to shut out foreign goods, give British shipping a monopoly of foreign commerce, and stamp out foreign competition by force. As an example of the latter, British authorities in India destroyed the Bengalese textile industry, makers of the highest

*moderator of human aspirations... In short, people may reach goals they aren't able to reach with their own resources only by convincing others, through arguments and fair exchanges, to cooperate* ["On Airports and Individual Rights"].

The logjams and bottlenecks in the transportation system are an inevitable result of subsidies. Those who debate the reason for planes stacked up at O'Hare airport, or decry the fact that highways and bridges are deteriorating several times faster than repairs are being budgeted, need only read an economics 101 text. Market prices are signals that relate supply to demand. When subsidies distort these signals, the consumer does not perceive the real cost of producing the goods he consumes. The "feedback loop" is broken, and demands on the system overwhelm it beyond its ability to respond. When people don't have to pay the real cost of something they consume, they aren't very careful about only using what they need.

It is interesting that every major antitrust action in this century has involved either some basic energy resource, or some form of infrastructure, on which the overall economy depends. Standard Oil, AT&T, and Microsoft were all cases in which monopoly price gouging was a danger to the economy as a whole. This brings to mind Engels' observation that advanced capitalism would reach a stage where the state - "the official representative of capitalist society" - would have to convert "the great institutions for intercourse and communication" into state property. Engels did not foresee the use of antitrust actions to achieve the same end [Anti-Duhring].

## **MILITARY KEYNESIANISM**

The leading sectors of the economy, including cybernetics, communications, and military industry, have their sales and



*telecommunications revolution... is... another state component of the international economy that didn't develop through private capital, but through the public paying to destroy themselves..."* [Class Warfare p. 40].

The centralized corporate economy depends for its existence on a shipping price system which is artificially distorted by government intervention. To fully grasp how dependent the corporate economy is on socializing transportation and communications costs, imagine what would happen if truck and aircraft fuel were taxed enough to pay the full cost of maintenance and new building costs on highways and airports; and if fossil fuels depletion allowances were removed. The result would be a massive increase in shipping costs. Does anyone seriously believe that Wal-Mart could continue to undersell local retailers, or corporate agribusiness could destroy the family farm?

Intellectually honest right libertarians freely admit as much. For example, Tiber Machan wrote in *The Freeman* that

*Some people will say that stringent protection of rights [against eminent domain] would lead to small airports, at best, and many constraints on construction. Of course - but what's so wrong with that? Perhaps the worst thing about modern industrial life has been the power of political authorities to grant special privileges to some enterprises to violate the rights of third parties whose permission would be too expensive to obtain. The need to obtain that permission would indeed seriously impede what most environmentalists see as rampant - indeed reckless - industrialization. The system of private property rights - in which... all... kinds of... human activity must be conducted within one's own realm except where cooperation from others has been gained voluntarily-is the greatest*

quality fabric in the world. Although they had not adopted steam-driven methods of production, there is a real possibility that they would have done so, had India remained politically and economically independent. The once prosperous territory of Bengal is today occupied by Bangladesh and the Calcutta area [Chomsky, *World Orders Old and New*].

The American, German and Japanese industrial systems were created by the same mercantilist policies, with massive tariffs on industrial goods. "Free trade" was adopted by safely established industrial powers, who used "laissez-faire" as an ideological weapon to prevent potential rivals from following the same path of industrialization. Capitalism has never been established by means of the free market, or even by the primary action of the bourgeoisie. It has always been established by a revolution from above, imposed by a pre-capitalist ruling class. In England, it was the landed aristocracy; in France, Napoleon II's bureaucracy; in Germany, the Junkers; in Japan, the Meiji. In America, the closest approach to a "natural" bourgeois evolution, industrialization was carried out by a mercantilist aristocracy of Federalist shipping magnates and landlords [Harrington, *Twilight of Capitalism*].

Romantic medievalists like Chesterton and Belloc described the process in the high middle ages by which serfdom had gradually withered away, and the peasants had transformed themselves into de facto freeholders who paid a nominal quit-rent. The feudal class system was disintegrating and being replaced by a much more libertarian and less exploitative one. Immanuel Wallerstein argued that the likely outcome would have been "a system of relatively equal small-scale producers, further flattening out the aristocracies and decentralizing the political structures." By 1650 the trend had been reversed, and there was "a reasonably high level of continuity between the families that had been high strata" in 1450 and 1650. Capitalism, far from being "the overthrow of a backward aristocracy by a progressive bourgeoisie," "was brought into existence by a landed aristocracy

*which transformed itself into a bourgeoisie because the old system was disintegrating.*" [Historical Capitalism 41-42, 105-106]. This is echoed in part by Arno Mayer [The Persistence of the Old Regime], who argued for continuity between the landed aristocracy and the capitalist ruling class.

The process by which the high medieval civilization of peasant proprietors, craft guilds and free cities was overthrown, was vividly described by Kropotkin [Mutual Aid 225]. Before the invention of gunpowder, the free cities repelled royal armies more often than not, and won their independence from feudal dues. And these cities often made common cause with peasants in their struggles to control the land. The absolutist state and the capitalist revolution it imposed became possible only when artillery could reduce fortified cities with a high degree of efficiency, and the king could make war on his own people. And in the aftermath of this conquest, the Europe of William Morris was left devastated, depopulated, and miserable.

Peter Tosh had a song called "Four Hundred Years." Although the white working class has suffered nothing like the brutality of black slavery, there has nevertheless been a "four hundred years" of oppression for all of us under the system of state capitalism established in the seventeenth century. Ever since the birth of the first states six thousand years ago, political coercion has allowed one ruling class or another to live off other people's labor. But since the seventeenth century the system of power has become increasingly conscious, unified, and global in scale. The current system of transnational state capitalism, without rival since the collapse of the soviet bureaucratic class system, is a direct outgrowth of the seizure of power "four hundred years" ago. Orwell had it backwards. The past is a "boot smashing a human face." Whether the future is more of the same depends on what we do now.

## INFRASTRUCTURE

Spending on transportation and communications networks from general revenues, rather than from taxes and user fees, allows big business to "externalize its costs" on the public, and conceal its true operating expenses. Chomsky described this state capitalist underwriting of shipping costs quite accurately:

*One well-known fact about trade is that it's highly subsidized with huge market-distorting factors... The most obvious is that every form of transport is highly subsidized... Since trade naturally requires transport, the costs of transport enter into the calculation of the efficiency of trade. But there are huge subsidies to reduce the costs of transport, through manipulation of energy costs and all sorts of market-distorting functions ["How Free is the Free Market?"].*

Every wave of concentration of capital has followed a publicly subsidized infrastructure system of some sort. The national railroad system, built largely on free or below-cost land donated by the government, was followed by concentration in heavy industry, petrochemicals, and finance. The next major infrastructure projects were the national highway system, starting with the system of designated national highways in the 1920s and culminating with Eisenhower's interstate system; and the civil aviation system, built almost entirely with federal money. The result was massive concentration in retail, agriculture, and food processing.

The third such project was the infrastructure of the worldwide web, originally built by the Pentagon. It permits, for the first time, direction of global operations in real time from a single corporate headquarters, and is accelerating the concentration of capital on a global scale. To quote Chomsky again, "The

the purpose of owning a patent is not necessarily to use it, but to prevent anyone else from using it [op. cit. pp. 29-30].

Raghavan summed up nicely the effect on the Third World:

*"Given the vast outlays in R and D and investments, as well as the short life cycle of some of these products, the leading Industrial Nations are trying to prevent emergence of competition by controlling... the flows of technology to others. The Uruguay round is being sought to be used to create export monopolies for the products of Industrial Nations, and block or slow down the rise of competitive rivals, particularly in the newly industrializing Third World countries. At the same time the technologies of senescent industries of the north are sought to be exported to the South under conditions of assured rentier income"* [op. cit. p. 96].

Corporate propagandists piously denounce anti-globalists as enemies of the Third World, seeking to use trade barriers to maintain an affluent Western lifestyle at the expense of the poor nations. The above measures - trade barriers - to permanently suppress Third World technology and keep the South as a big sweatshop, give the lie to this "humanitarian" concern. This is not a case of differing opinions, or of sincerely mistaken understanding of the facts. Setting aside false subtleties, what we see here is pure evil at work - Orwell's "*boot stamping on a human face forever*." If any architects of this policy believe it to be for general human well-being, it only shows the capacity of ideology to justify the oppressor to himself and enable him to sleep at night.

## IDEOLOGICAL HEGEMONY

Ideological hegemony is the process by which the exploited come to view the world through a conceptual framework provided to them by their exploiters. It acts first of all to conceal class conflict and exploitation behind a smokescreen of "*national unity*" or "*general welfare*." Those who point to the role of the state as guarantor of class privilege are denounced, in theatrical tones of moral outrage, for "*class warfare*." If anyone is so unpardonably "*extremist*" as to describe the massive foundation of state intervention and subsidy upon which corporate capitalism rests, he is sure to be rebuked for "*Marxist class war rhetoric*" (Bob Novak), or "*robber baron rhetoric*" (Treasury Secretary O'Neill).

The ideological framework of "*national unity*" is taken to the point that "*this country*," "*society*," or "*our system of government*" is set up as an object of gratitude for "*the freedoms we enjoy*." Only the most unpatriotic notice that our liberties, far from being granted to us by a generous and benevolent government, were won by past resistance against the state. Charters and bills of rights were not grants from the state, but were forced on the state from below.

If our liberties belong to us by right of birth, as a moral fact of nature, it follows that we owe the state no debt of gratitude for not violating them, any more than we owe our thanks to another individual for refraining from robbing or killing us. Simple logic implies that, rather than being grateful to "*the freest country on earth*," we should raise hell every time it infringes on our liberty. After all, that's how we got our liberty in the first place. When another individual puts his hand in our pocket to enrich himself at our expense, our natural instinct is to resist. But thanks to patriotism, the ruling class is able to transform their hand in our pocket into "*society*" or "*our country*."

The religion of national unity is most pathological in regard to "*defense*" and foreign policy. The manufacture of foreign cri-

sis and war hysteria has been used since the beginning of history to suppress threats to class rule. The crooked politicians may work for the "*special interests*" domestically, but when those same politicians engineer a war it is a matter of loyalty to "*our country*."

The Chairman of the JCS, in discussing the "*defense*" posture, will refer with a straight face to "*national security threats*" faced by the U. S., and describe the armed forces of some official enemy like China as far beyond "*legitimate defensive requirements*." The quickest way to put oneself beyond the pale is to point out that all these "*threats*" involve what some country on the other side of the world is doing within a hundred miles of its own border. Another offense against fatherland worship is to judge the actions of the United States, in its global operations to keep the Third World safe for ITT and United Fruit Company, by the same standard of "*legitimate defensive requirements*" applied to China.

In the official ideology, America's wars by definition are always fought "*for our liberties*," to "*defend our country*," or in the smarmy world of Maudlin Albright, a selfless desire to promote "*peace and freedom*" in the world. To suggest that the real defenders of our liberties took up arms against the government, or that the national security state is a greater threat to our liberties than any foreign enemy we have ever faced, is unforgivable. Above all, good Americans don't notice all those military advisers teaching death squads how to hack off the faces of union organizers and leave them in ditches, or to properly use pliers on a dissident's testicles. War crimes are only committed by defeated powers. (But as the Nazis learned in 1945, unemployed war criminals can usually find work with the new hegemonic power.)

After a century and a half of patriotic indoctrination by the statist education system, Americans have thoroughly internalized the "*little red schoolhouse*" version of American history. This authoritarian piety is so diametrically opposed to

it is much more likely that their variety cross-pollinated and contaminated the farmer's crop against his will. The Pinkerton agency, by the way, plays a leading role in investigating such charges - that's right, the same folks who have been breaking strikes and kicking organizers down stairs for the past century. Even jack-booted thugs have to diversify to make it in the global economy.

The developed world has pushed particularly hard to protect industries relying on or producing "*generic technologies*," and to restrict diffusion of "*dual use*" technologies. The U. S. - Japanese trade agreement on semi-conductors, for example, is a "*cartel-like, 'managed trade' agreement*." So much for "*free trade*." [Dieter Ernst, "Technology, Economic Security and Latecomer Industrialization," in Raghavan Pp. 39-40].

Patent law traditionally required a holder to work the invention in a country in order to receive patent protection. U.K. law allowed compulsory licensing after three years if an invention was not being worked, or being worked fully, and demand was being met "*to a substantial extent*" by importation; or where the export market was not being supplied because of the patentee's refusal to grant licenses on reasonable terms [Raghavan pp. 120, 138].

The central motivation in the GATT intellectual property regime, however, is to permanently lock in the collective monopoly of advanced technology by TNCs, and prevent independent competition from ever arising in the Third World. It would, as Martin Khor Kok Peng writes, "*effectively prevent the diffusion of technology to the Third World, and would tremendously increase monopoly royalties of the TNCs whilst curbing the potential development of Third World technology*." Only one percent of patents worldwide are owned in the Third World. Of patents granted in the 1970s by Third World countries, 84% were foreign-owned. But fewer than 5% of foreign-owned patents were actually used in production. As we saw before,

them by pooling their patents. AT&T also expanded "primarily through strategies of patent monopoly." The American chemical industry was marginal until 1917, when Attorney-General Mitchell Palmer seized German patents and distributed them among the major American chemical companies. DuPont got licenses on 300 of the 735 patents [America by Design pp. 10, 16].

Patents are also being used on a global scale to lock the transnational corporations into a permanent monopoly of productive technology. The single most totalitarian provision of the Uruguay Round is probably its "intellectual property" provisions. GATT has extended both the scope and duration of patents far beyond anything ever envisioned in original patent law. In England, patents were originally for fourteen years - the time needed to train two journeymen in succession (and by analogy, the time necessary to go into production and reap the initial profit for originality). By that standard, given the shorter training times required today, and the shorter lifespan of technology, the period of monopoly should be shorter. Instead, the U.S. seeks to extend them to fifty years [Raghavan, Recolonization pp. 119-120]. According to Martin Khor Kok Peng, the U.S. is by far the most absolutist of the participants in the Uruguay Round. Unlike the European Community, and for biological processes for animal and plant protection [The Uruguay Round and Third World Sovereignty p. 28].

The provisions for biotech are really a way of increasing trade barriers, and forcing consumers to subsidize the TNCs engaged in agribusiness. The U.S. seeks to apply patents to genetically-modified organisms, effectively pirating the work of generations of Third World breeders by isolating beneficial genes in traditional varieties and incorporating them in new GMOs - and maybe even enforcing patent rights against the traditional variety which was the source of the genetic material. For example Monsanto has attempted to use the presence of their DNA in a crop as prima facie evidence of pirating - when

the beliefs of those who took up arms in the Revolution that the citizenry has largely forgotten what it means to be American. In fact, the authentic principles of Americanism have been stood on their head. Two hundred years ago, standing armies were feared as a threat to liberty and a breeding ground for authoritarian personalities; conscription was associated with the tyranny of Cromwell; wage labor was thought to be inconsistent with the independent spirit of a free citizen. Today, two hundred years later, Americans have been so Prussianized by sixty years of a garrison state and "wars" against one internal enemy or another, that they are conditioned to genuflect at the sight of a uniform. Draft dodgers are equivalent to child molesters. Most people work for some centralized corporate or state bureaucracy, where as a matter of course they are expected to obey orders from superiors, work under constant surveillance, and even piss in a cup on command.

During wartime, it becomes unpatriotic to criticize or question the government and dissent is identified with disloyalty. Absolute faith and obedience to authority is a litmus test of "Americanism." Foreign war is a very useful tool for manipulating the popular mind and keeping the domestic population under control. War is the easiest way to shift vast, unaccountable new powers to the State. People are most uncritically obedient at the very time they need to be most vigilant.

The greatest irony is that, in a country founded by revolution, "Americanism" is defined as respecting authority and resisting "subversion." The Revolution was a revolution indeed, in which the domestic political institutions of the colonies were forcibly overthrown. It was, in many times and places, a civil war between classes. But as Voltairine de Cleyre wrote a century ago in "Anarchism and American Traditions," the version in the history books is a patriotic conflict between our "Founding Fathers" and a foreign enemy. Those who can still quote Jefferson on the right of revolution are relegated to the "extremist" fringe, to be rounded up in the next war hysteria or red scare.

This ideological construct of a unified "*national interest*" includes the fiction of a "*neutral*" set of laws, which conceals the exploitative nature of the system of power we live under. Under corporate capitalism the relationships of exploitation are mediated by the political system to an extent unknown under previous class systems. Under chattel slavery and feudalism, exploitation was concrete and personalized in the producer's relationship with his master. The slave and peasant knew exactly who was screwing them. The modern worker, on the other hand, feels a painful pounding sensation, but has only a vague idea where it is coming from.

Besides its function of masking the ruling class interests behind a facade of "*general welfare*," ideological hegemony also manufactures divisions between the ruled. Through campaigns against "*welfare cheats*" and "*deadbeats*," and demands to "*get tough on crime*," the ruling class is able to channel the hostility of the middle and working classes against the underclass.

Especially nauseating is the phenomenon of "*billionaire populism*." Calls for bankruptcy and welfare "*reform*," and for wars on crime, are dressed up in pseudo-populist rhetoric, identifying the underclass as the chief parasites who feed off the producers' labor. In their "*aw, shucks*" symbolic universe, you'd think America was a Readers Digest/Norman Rockwell world with nothing but hard-working small businessmen and family farmers, on the one hand, and welfare cheats, deadbeats, union bosses and bureaucrats on the other. From listening to them, you'd never suspect that multibillionaires or global corporations even exist, let alone that they might stand to benefit from such "*populism*."

In the real world, corporations are the biggest clients of the welfare state, the biggest bankruptcies are corporate chapter eleven filings, and the worst crimes are committed in corporate suites rather than on the streets. The real robbery of the average producer consists of profit and usury, extorted only with the help of the state - the real "*big government*" on our backs.

(retroactive to 1 July 1999) was expected to cost \$13.1 billion. (That credit makes the effective tax rate on R & D spending less than zero.) [Citizens for Tax Justice, GOP Leaders Distill Essence of Tax Plan].

The Government Patent Policy Act of 1980, with 1984 and 1986 amendments, allowed private industry to keep patents on products developed with government R & D money - and then to charge ten, twenty, or forty times the cost of production. For example, AZT was developed with government money and in the public domain since 1964. The patent was given away to Burroughs Wellcome Corp. [Chris Lewis, "Public Assets, Private Profits"].

As if the deck were not sufficiently stacked already, the pharmaceutical companies in 1999 actually lobbied Congress to extend certain patents by two years by a special act of private law [Benjamin Grove, "Gibbons backs drug-monopoly bill"].

Patents have been used throughout the twentieth century "*to circumvent antitrust laws*," according to David Noble. They were "*bought up in large numbers to suppress competition*," which also resulted in "*the suppression of invention itself*." [America by Design, pp. 84-109]. Edwin Prindle, a corporate patent lawyer, wrote in 1906:

*Patents are the best and most effective means of controlling competition. They occasionally give absolute command of the market, enabling their owner to name the price without regard to the cost of production... Patents are the only legal form of absolute monopoly* [America by Design p. 90].

Patents played a key role in the formation of the electrical appliance, communications, and chemical industries. G. E. and Westinghouse expanded to dominate the electrical manufacturing market at the turn of the century largely through patent control. In 1906 they curtailed the patent litigation between

*"the least important of considerations."* Most companies considered their chief motivation in R & D decisions to be *"the necessity of remaining competitive, the desire for efficient production, and the desire to expand and diversify their sales."* In another study, Scherer found no negative effect on R & D spending as a result of compulsory licensing of patents. A survey of U.S. firms found that 86% of inventions would have been developed without patents. In the case of automobiles, office equipment, rubber products, and textiles, the figure was 100%.

The one exception was drugs, in which 60% supposedly would not have been invented. I suspect disingenuousness on the part of the respondents, however. For one thing, drug companies get an unusually high portion of their R & D funding from the government, and many of their most lucrative products were developed entirely at government expense. And Scherer himself cited evidence to the contrary. The reputation advantage for being the first into a market is considerable. For example in the late 1970s, the structure of the industry and pricing behavior was found to be very similar between drugs with and those without patents. Being the first mover with a non-patented drug allowed a company to maintain a 30% market share and to charge premium prices.

The injustice of patent monopolies is exacerbated by government funding of research and innovation, with private industry reaping monopoly profits from technology it didn't spend a penny to develop. In 1999, extending the research and experimentation tax credit was, along with extensions of a number of other corporate tax preferences, considered the most urgent business of the Congressional leadership. Hastert, when asked if any elements of the tax bill were essential, said: *"I think the [tax preference] extenders are something we're going to have to work on."* Ways and Means Chair Bill Archer added, *"before the year is out... we will do the extenders in a very stripped down bill that doesn't include anything else."* A five-year extension of the research and experimentation credit

But as long as the working class and the underclass are busy fighting each other, they won't notice who is really robbing them.

As Stephen Biko said, *"The oppressors most powerful weapon is the mind of the oppressed."*

## THE MONEY MONOPOLY

In every system of class exploitation, a ruling class controls access to the means of production in order to extract tribute from labor. Under capitalism, access to capital is restricted by the money monopoly, by which the state or banking system is given a monopoly on the medium of exchange, and alternative media of exchange are prohibited. The money monopoly also includes entry barriers against cooperative banks and prohibitions against private issuance of banknotes, by which access to finance capital is restricted and interest rates are kept artificially high.

Just in passing, we might mention the monumental hypocrisy of the regulation of credit unions in the United States, which require that their membership must share some common bond, like working for the same employer. Imagine the outrage if IGA and Safeway lobbied for a national law to prohibit grocery co-ops unless the members all worked for the same company! One of the most notable supporters of these laws is Phil Gramm, that renowned *"free marketeer"* and economics professor - and foremost among the banking industry's whores in Congress.

Individualist and mutualist anarchists like William Greene [Mutual Banking], Benjamin Tucker [Instead of a Book], and J. B. Robertson [The Economics of Liberty] viewed the money monopoly as central to the capitalist system of privilege. In a genuinely free banking market, any group of individuals could form a mutual bank and issue monetized credit in the form

of bank notes against any form of collateral they chose, with acceptance of these notes as tender being a condition of membership. Greene speculated that a mutual bank might choose to honor not only marketable property as collateral, but the "pledging ... [of] future production." [p. 73]. The result would be a reduction in interest rates, through competition, to the cost of administrative overhead - less than one percent.

Abundant cheap credit would drastically alter the balance of power between capital and labor, and returns on labor would replace returns on capital as the dominant form of economic activity. According to Robinson,

*"Upon the monopoly rate of interest for money that is... forced upon us by law, is based the whole system of interest upon capital, that permeates all modern business.*

*With free banking, interest upon bonds of all kinds and dividends upon stock would fall to the minimum bank interest charge. The so-called rent of houses... would fall to the cost of maintenance and replacement.*

*All that part of the product which is now taken by interest would belong to the producer. Capital, however... defined, would practically cease to exist as an income producing fund, for the simple reason that if money, wherewith to buy capital, could be obtained for one-half of one per cent, capital itself could command no higher price" [pp. 80-81].*

And the result would be a drastically improved bargaining position for tenants and workers against the owners of land and capital. According to Gary Elkin, Tucker's free market anarchism carried certain inherent libertarian socialist implications:

a price over 40 times greater for patented components of Librium and Valium than charged by competitors in Italy [Raghavan, *Recolonization* p. 124].

Patents suppress innovation as much as they encourage it. Chakravarthi Raghavan pointed out that research scientists who actually do the work of inventing are required to sign over patent rights as a condition of employment, while patents and industrial security programs prevent sharing of information, and suppress competition in further improvement of patented inventions. [op. cit. p. 118] Rothbard likewise argued that patents eliminate "the competitive spur for further research" because incremental innovation based on others' patents is prohibited, and because the holder can "rest on his laurels for the entire period of the patent," "with no fear of a competitor improving his invention." And they hamper technical progress because "mechanical inventions are discoveries of natural law rather than individual creations, and hence similar independent inventions occur all the time. The simultaneity of inventions is a familiar historical fact." [op. cit. pp. 655, 658-659].

The intellectual property regime under the Uruguay Round of GATT goes far beyond traditional patent law in suppressing innovation. One benefit of traditional patent law, at least, was that it required an invention under patent to be published. Under U.S. pressure, however, "trade secrets" were included in GATT. As a result, governments will be required to help suppress information not formally protected by patents [Raghavan, op. cit. p. 122].

And patents are not necessary as an incentive to innovate. According to Rothbard, invention is rewarded by the competitive advantage accruing to the first developer of an idea. This is borne out by F. M. Scherer's testimony before the FTC in 1995 [Hearings on Global and Innovation-Based Competition]. Scherer spoke of a survey of 91 companies in which only seven "accorded high significance to patent protection as a factor in their R & D investments." Most of them described patents as



*of recent years also attests to concern about job security.*

Thus the willingness of workers in recent years to trade off smaller increases in wages for greater job security seems to be reasonably well documented. For the bosses, the high-tech economy is the next best thing to high unemployment for keeping our minds right. "Fighting inflation" translates operationally to increasing job insecurity and making workers less likely to strike or to look for new jobs.

## PATENTS

The patent privilege has been used on a massive scale to promote concentration of capital, erect entry barriers, and maintain a monopoly of advanced technology in the hands of western corporations. It is hard even to imagine how much more decentralized the economy would be without it. Right-libertarian Murray Rothbard considered patents a fundamental violation of free market principles.

*The man who has not bought a machine and who arrives at the same invention independently, will, on the free market, be perfectly able to use and sell his invention. Patents prevent a man from using his invention even though all the property is his and he has not stolen the invention, either explicitly or implicitly, from the first inventor. Patents, therefore, are grants of exclusive monopoly privilege by the State and are invasions of property rights on the market. [Man, Economy, and State vol. 2 p. 655]*

Patents make an astronomical price difference. Until the early 1970s, for example, Italy did not recognize drug patents. As a result, Roche Products charged the British national health

*It's important to note that because of Tucker's proposal to increase the bargaining power of workers through access to mutual credit, his so-called Individualist anarchism is not only compatible with workers' control but would in fact promote it. For if access to mutual credit were to increase the bargaining power of workers to the extent that Tucker claimed it would, they would then be able to (1) demand and get workplace democracy, and (2) pool their credit buy and own companies collectively.*

The banking monopoly was not only the "lynchpin of capitalism," but also the seed from which the landlord's monopoly grew. Without a money monopoly, the price of land would be much lower, and promote "the process of reducing rents toward zero." [Gary Elkin, "Benjamin Tucker - Anarchist or Capitalist"].

Given the worker's improved bargaining position, "capitalists' ability to extract surplus value from the labor of employees would be eliminated or at least greatly reduced." [Gary Elkin, Mutual Banking]. As compensation for labor approached value-added, returns on capital were driven down by market competition, and the value of corporate stock consequently plummeted, the worker would become a de facto co-owner of his workplace, even if the company remained nominally stockholder-owned.

Near-zero interest rates would increase the independence of labor in all sorts of interesting ways. For one thing, anyone with a twenty-year mortgage at 8% now could, in the absence of usury, pay it off in ten years. Most people in their 30s would have their houses paid off. Between this and the nonexistence of high-interest credit card debt, two of the greatest sources of anxiety to keep one's job at any cost would disappear. In addition, many workers would have large savings ("go to hell

money”). Significant numbers would retire in their forties or fifties, cut back to part-time, or start businesses; with jobs competing for workers, the effect on bargaining power would be revolutionary.

Our hypothetical world of free credit in many ways resembles the situation in colonial societies. E. G. Wakefield, in *View of the Art of Colonization*, wrote of the unacceptably weak position of the employing class when self-employment with one’s own property was readily available. In colonies, there was a tight labor market and poor labor discipline because of the abundance of cheap land. *“Not only does the degree of exploitation of the wage-labourer remain indecently low. The wage-labourer loses into the bargain, along with the relation of dependence, also the sentiment of dependence on the abstemious capitalist.”*

*Where land is cheap and all men are free, where every one who so pleases can obtain a piece of land for himself, not only is labour very dear, as respects the labourers’ share of the product, but the difficulty is to obtain combined labour at any price.*

This environment also prevented the concentration of wealth, as Wakefield commented: *“Few, even of those whose lives are unusually long, can accumulate great masses of wealth.”* As a result, colonial elites petitioned the mother country for imported labor and for restrictions on land for settlement. According to Wakefield’s disciple Herman Merivale, there was an *“urgent desire for cheaper and more subservient labourers - for a class to whom the capitalist might dictate terms, instead of being dictated to by them.”* [Maurice Dobb, *Studies in the Development of Capitalism*; Marx, Chapter 33: *“The New Theory of Colonialism,”* in *Capital* Vol. 1].

In addition to all this, central banking systems perform additional service to the interests of capital. First of all, the chief

requirement of finance capitalists is to avoid inflation, in order to allow predictable returns on investment. This is ostensibly the primary purpose of the Federal Reserve and other central banks. But at least as important is the role of the central banks in promoting what they consider a *“natural”* level of unemployment - until the 1990s around six per cent. The reason is that when unemployment goes much below this figure, labor becomes increasingly uppity and presses for better pay and working conditions and more autonomy. Workers are willing to take a lot less crap off the boss when they know they can find a job at least as good the next day. On the other hand, nothing is so effective in *“getting your mind right”* as the knowledge that people are lined up to take your job.

The Clinton *“prosperity”* is a seeming exception to this principle. As unemployment threatened to drop below the four per cent mark, some members of the Federal Reserve agitated to raise interest rates and take off the *“inflationary”* pressure by throwing a few million workers on the street. But as Greenspan [Testimony of Chairman Alan Greenspan] testified before the Senate Banking Committee, the situation was unique. Given the degree of job insecurity in the high-tech economy, there was *“[a]typical restraint on compensation increases.”* In 1996, even with a tight labor market, 46% of workers at large firms were fearful of layoffs - compared to only 25% in 1991, when unemployment was much higher.

*The reluctance of workers to leave their jobs to seek other employment as the labor market tightened has provided further evidence of such concern, as has the tendency toward longer labor union contracts. For many decades, contracts rarely exceeded three years. Today, one can point to five- and six-year contracts - contracts that are commonly characterized by an emphasis on job security and that involve only modest wage increases. The low level of work stoppages*