

# **The Thermidor of the Progressives**

**Managerialist Liberalism's Hostility to Decentralized Organization**

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2010

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## I. Background

Twentieth century liberalism had its origins as the belief system of what C. Wright Mills called the New Middle Class.<sup>1</sup> The corporate revolution of the post-Civil War period and the associated rise of the centralized regulatory state, followed by the large charitable foundations and universities dominating civil society, gave rise before the turn of the twentieth century to a new class of managers and professionals who administered the new large organizations.

The organizational reason for the expansion of the white collar occupations is the rise of big business and big government, and the consequent trend of modern social structure, the steady growth of bureaucracy. In every branch of the economy, as firms merge and corporations become dominant, free entrepreneurs become employees, and the calculations of accountant, statistician, bookkeeper, and clerk in these corporations replace the free “movement of prices as the coordinating agent of the economic system. The rise of big and little bureaucracies and the elaborate specialization of the system as a whole create the need for many men and women to plan, co-ordinate, and administer new routines for others. In moving from smaller to larger and more elaborate units of economic activity, increased proportions of employees are drawn into co-ordinating and managing. Managerial and professional employees and office workers of various sorts... are needed; people to whom subordinates report, and who in turn report to superiors, are links in chains of power and obedience, co-ordinating and supervising other occupational experiences, functions, and skills.”<sup>2</sup>

Twentieth century politics was dominated by the ideology of the professional and managerial classes that ran the new large organizations. “Progressivism,” especially—the direct ancestor of the mid-20<sup>th</sup> century model of liberalism that was ascendant from the New Deal to the Great Society—was the ideology of the New Middle Class. As Christopher Lasch put it, it was the ideology of the “intellectual caste,” in a future which “belonged to the manager, the technician, the bureaucrat, the expert.”<sup>3</sup>

Especially as exemplified by Ralph Easley’s National Civic Federation,<sup>4</sup> and by Herbert Croly and his associates in the *New Republic* circle, Progressivism sought to organize and manage society as a whole by the same principles that governed the large organization.

The classic expression of this ideology was Croly’s “New Nationalist” manifesto, *The Promise of American Life*, with its agenda of achieving “Jeffersonian ends with Hamiltonian means.”<sup>5</sup>

Progressivism was not simply an attempt to adapt to the predominance of large organizations as a necessary evil. Progressivism saw the large organization as a positive good, as the building block of a new progressive social order. As described by Robert H. Wiebe:

...Most of [the Progressive reformers] lived and worked in the midst of modern society and, accepting its major thrust, drew both their inspiration and their programs

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<sup>1</sup> C. Wright Mills, *White Collar: The American Middle Classes* (New York: Oxford University Press, 1953), p. 63.

<sup>2</sup> *Ibid.*, pp. 68–69.

<sup>3</sup> Christopher Lasch, *The New Radicalism in America (1889–1963): The Intellectual as a Social Type* (New York: Vintage Books, 1965), p. 174

<sup>4</sup> See James Weinstein, *The Corporate Ideal in the Liberal State, 1900–1918* (Boston: Beacon Press, 1968).

<sup>5</sup> Herbert Croly, *The Promise of American Life* (New York: The MacMillan Company, 1911).

from its peculiar traits. Where their predecessors would have destroyed many of urban-industrial America's outstanding characteristics, the new reformers wanted to adapt an existing order to their own ends. They prized their organizations not merely as reflections of an ideal but as sources of everyday strength, and generally they also accepted the organizations that were multiplying about them... The heart of progressivism was the ambition of the new middle class to fulfill its destiny through bureaucratic means.<sup>6</sup>

The Progressives were latter-day heirs to the *politiques*—the intellectuals who served as apologists for the new absolute states in early modern Europe. But the twentieth century *politiques* were ideologically attached, instead, to the large centralized organization. They saw themselves, much like Augustus, as adapting America's republican constitution to the new institutional realities of the twentieth century.

The antitrust debates... were about basics: Were the central principles of the American political tradition compatible with anything other than small-producer, competitive capitalism? In particular, could they be reconciled with corporate capitalism and administered markets? If large-scale industry in the form of corporate enterprise was the progressive outcome of socioeconomic evolution, were traditional American political principles compatible with progress?<sup>7</sup>

Croly and the rest of his circle at *The New Republic* harnessed themselves to the political fortunes of Teddy Roosevelt.<sup>8</sup> Both Croly and Roosevelt saw the giant corporation as a natural institution. The “concentrated leadership” and “thorough organization” of the trusts, Croly argued, “have certainly succeeded in reducing the amount of waste which was necessitated by the earlier condition of wholly unregulated competition.” Competitive methods were effective only in a reduced area. “Large corporations, which can afford the best machinery, which control abundant capital, and which can plan with scrupulous economy all the details of producing and selling an important product or service, are actually able to reduce the cost of production to a minimum... The new organization of American industry has created an economic mechanism which is capable of being wonderfully and indefinitely serviceable to the American people.” All that remained was to bring them under Progressive regulatory control so their increased efficiencies could be harnessed by rational planning for the general good.<sup>9</sup> It was necessary, at the same time, to transfer political power from the Jacksonian “plain people” to “administrative and legislative specialists.”<sup>10</sup>

Here's how Rakesh Khurana describes the self-image of the new managerial stratum:

Amid the sometimes violent clashes of interests attending the rise of the new industrial society, science, the professions, and the university presented themselves as disinterested communities possessing both expertise and commitment to the common

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<sup>6</sup> Robert H. Wiebe, *The Search for Order, 1877–1920* (New York: Hill and Wang, 1967), pp. 165–166.

<sup>7</sup> Martin J. Sklar, *The Corporate Reconstruction of American Capitalism, 1890–1916: The Market, the Law, and Politics* (Cambridge, New York and Melbourne: Cambridge University Press, 1988), p. 34.

<sup>8</sup> Croly, *The Promise of American Life*, p. 169.

<sup>9</sup> *Ibid.*, pp. 115–117.

<sup>10</sup> *Ibid.*, p. 120.

good. The combination made these three institutions, built on rational principles and widely shared, even quasi-sacred values, appear to be ideal instruments to address pressing social needs. In each case, a vanguard of institutional entrepreneurs led efforts to define (or redefine) their institutions, frame societal problems, and mobilize constituencies in ways that won credibility for these institutions in the nascent social order.<sup>11</sup>

The managerial revolution carried out by the New Class, in the large corporation, was in its essence an attempt to apply the engineer's approach (standardizing and rationalizing tools, processes, and systems) to the rationalization of the organization.<sup>12</sup> These Weberian/Taylorist ideas of scientific management and bureaucratic rationality, first applied in the large corporation, quickly spread to all large organizations. And from there, they extended to attempts at "social engineering" on the level of society as a whole, new-modeling the entire society on rationalistic lines. This meant, according to Wiebe, public health authorities demanding "the renovation of an entire city," and social workers calling "quite literally... for a new American society."<sup>13</sup>

The transfer of mechanical and industrial engineers' understanding of production processes to the management of organizations, and of the managers' understanding of organizations to society as a whole, is the subject of Yehouda Shenhav's excellent study *Manufacturing Rationality: The Engineering Foundations of the Managerial Revolution*.<sup>14</sup>

Since the difference between the physical, social, and human realms was blurred by acts of translation, society itself was conceptualized and treated as a technical system. As such, society and organizations could, and should, be engineered as machines that are constantly being perfected. Hence, the management of organizations (and society at large) was seen to fall within the province of engineers. Social, cultural, and political issues... could be framed and analyzed as "systems" and "subsystems" to be solved by technical means.<sup>15</sup>

It's no coincidence, as Shenhav points out, that Progressivism was "also known as the golden age of professionalism..."<sup>16</sup>

In the Progressive vision of the new order, "only the professional administrator, the doctor, the social worker, the architect, the economist, could show the way." In turn, professional control became more elaborate. It involved measurement and prediction and the development of professional techniques for guiding events to predictable outcomes. The experts "devised rudimentary government budgets, introduced central, audited purchasing, and rationalized the structure of offices." This type of control was not only characteristic of professionals in large corporate systems. It characterized social movements, the management of schools, roads, towns, and political systems.<sup>17</sup>

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<sup>11</sup> Rakesh Khurana, *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession* (Princeton and Oxford: Princeton University Press, 2007), p. 87.

<sup>12</sup> *Ibid.*, p. 56.

<sup>13</sup> Wiebe, *The Search for Order*, p. 165

<sup>14</sup> Yehouda Shenhav, *Manufacturing Rationality: The Engineering Foundations of the Managerial Revolution* (Oxford and New York: Oxford University Press, 1999).

<sup>15</sup> *Ibid.*, p. 74.

<sup>16</sup> *Ibid.*, p. 35.

<sup>17</sup> *Ibid.*, p. 35. Quoted material is from Robert Wiebe, *In Search of Order*.

Progressivism was primarily a movement of “middle-class, well-to-do intellectuals and professionals,” which “provided legitimization for the roles of professionals in the public sphere.”

Progressive culture and big systems supported each other, slouching toward an economic coherence that would replace the ambiguity of the robber barons’ capitalism through bureaucratization and rationalization.<sup>18</sup>

It’s also probably no coincidence that there is so much overlap between the engineers’ and managers’ choice of value-terms as described by Shenhav, the values of corporate liberalism described by James Weinstein, and the objectives of Gabriel Kolko’s “political capitalism” reflected in the Progressive regulatory agenda. In every case, the same language was used: “system,” “standardization,” “rationality,” “efficiency,” “predictability.” For example, in the field of labor relations:

Labor unrest and other political disagreements of the period were treated by mechanical engineers as simply a particular case of machine uncertainty to be dealt with in much the same manner as they had so successfully dealt with technical uncertainty. Whatever disrupted the smooth running of the organizational machine was viewed and constructed as a problem of uncertainty.<sup>19</sup>

That might be taken as a mission statement for corporate liberalism, and specifically for the National Civic Federation which Weinstein treated as the prototype of corporate liberalism.<sup>20</sup> A central theme of the New Middle Class’s managerialism was minimizing conflict, and transcending class and ideological divisions through the application of disinterested expertise.

For the new radicals, conflict itself, rather than injustice or inequality, was the evil to be eradicated. Accordingly, they proposed to reform society... by means of social engineering on the part of disinterested experts who could see the problem whole and who could see it essentially as a problem of resources... the proper application and conservation of which were the work of enlightened administration.<sup>21</sup>

In Yehouda Shenhav’s account, this apolitical ethos goes back to the self-perception of engineers, which subsequently influenced the managerial ideology in the large organization and the Progressive movement at the level of society as a whole: “American management theory was presented as a scientific technique administered for the good of society as a whole without relation to politics.”<sup>22</sup>

Taylor saw bureaucracy as “a solution to ideological cleavages, as an engineering remedy to the war between the classes.”<sup>23</sup> At the level of state policy, the Progressives’ professionalized approach to politics was “perceived to be objective and rational, above the give-and-take of political conflict.” It reflected “a pragmatic culture in which conflicts were diffused and ideological differences resolved.”<sup>24</sup>

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<sup>18</sup> *Ibid.*, p. 162.

<sup>19</sup> *Ibid.*, p. 174.

<sup>20</sup> The influence of engineering culture on Progressivism and corporate liberalism is also discussed, quite engagingly, in John M. Jordan, *Machine-Age Ideology: Social Engineering and American Liberalism, 1911–1939*, pp. 33–67.

<sup>21</sup> Lasch, *The New Radicalism in America*, p. 162.

<sup>22</sup> Shenhav, *Manufacturing Rationality*, p. 5.

<sup>23</sup> *Ibid.*, p. 8.

<sup>24</sup> *Ibid.*, p. 35.

Both Progressives and industrial engineers “were horrified at the possibility of ‘class warfare,’” and saw “efficiency” as a means to “social harmony, making each workman’s interest the same as that of his employers.”<sup>25</sup>

The tendency in all aspects of life was to treat policy as a matter of expertise rather than politics: to remove as many questions as possible from the realm of public debate to the realm of administration by properly qualified authorities.

Social problems were thus allowed to enter the organizational realm only after being dressed in technical terms. Pragmatic solutions were to replace ideological controversies.<sup>26</sup>

As a *New Republic* editorial put it, “the business of politics has become too complex to be left to the pretentious misunderstandings of the benevolent amateur.”<sup>27</sup> This was to become a leitmotif in 20<sup>th</sup> century politics. FDR’s proclaimed that “[t]he day of the Politician is past; the day of the Enlightened Administrator has come.”<sup>28</sup> JFK, in similar terms, asserted that

most of the problems... that we now face are technical problems, are administrative problems. They are very sophisticated judgments, which do not lend themselves to the great sort of passionate movements which have stirred this country so often in the past. [They] deal with questions which are now beyond the comprehension of most men...<sup>29</sup>

Central to the Progressive mindset was the concept of “disinterestedness,” by which the “professional” was a sort of philosopher-king qualified to decide all sorts of contentious issues on the basis of immaculate expertise, without any intrusion of ideology or sordid politics.<sup>30</sup> I quote at Length from Christopher Lasch, in *The Revolt of the Elites*:

The drive to clean up politics gained momentum in the progressive era... [T]he progressives preached “efficiency,” “good government,” “bipartisanship,” and the “scientific management” of public affairs and declared war on “bossism.” They attacked the seniority system in Congress, limited the powers of the Speaker of the House, replaced mayors with city managers, and delegated important governmental functions to appointive commissions staffed with trained administrators... They took the position that government was a science, not an art. They forged links between government and the university so as to assure a steady supply of experts and expert knowledge. But they had little use for public debate. Most political questions were too complex, in their view, to be submitted to popular judgment...<sup>31</sup>

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<sup>25</sup> *Ibid.*, p. 96.

<sup>26</sup> *Ibid.*, p. 189.

<sup>27</sup> Quoted by John M. Jordan in *Machine Age Ideology: Social Engineering and American Liberalism, 1911–1939* (Chapel Hill, University of North Carolina Press, 1994), p. 76.

<sup>28</sup> Taylor Stoehr, *Decentralizing Power: Paul Goodman’s Social Criticism* (Black Rose Books, 1994), p. 176.

<sup>29</sup> Christopher Lasch, *The Culture of Narcissism: American Life in an Age of Diminishing Expectations* (New York: Warner Books, 1979), p. 145.

<sup>30</sup> Khurana, *From Higher Aims to Hired Hands*, p. 69.

<sup>31</sup> Christopher Lasch, *The Revolt of the Elites and the Betrayal of Democracy* (New York and London: W.W. Norton & Co., 1995), pp. 167–168.

(Anyone who's ever seen the faculty in an academic department competing for funding or fighting over a corner office knows what a load of buncombe that is.)

In short, the Progressives' managerial vision was of a world run by large bureaucratic hierarchies staffed by properly qualified professionals.

## II. Liberalism as a Schumpeterian Doctrine

To repeat, "progressive" intellectuals were attached to the fortunes of the large bureaucratic organization in the same way that the *politiques* were attached to the court of the Sun King. Progressivism, accordingly, saw Hamiltonian means not just as *necessary* for achieving Jeffersonian ends under new conditions. Establishment liberalism identified the Hamiltonian means, *as such*, with progressive ends.

Implicit in twentieth century liberalism are certain Schumpeterian assumptions about the progressive nature of large organization in and of itself. According to Schumpeter, only big business could afford to be innovative, because it had the market power to administer prices and charge a price greater than marginal cost, in order to recoup outlays for R&D. Hence, the benefits of large organizational size had less to do with technical economies of scale than with the progressive use of market power. "...[L]argest-scale plans could in many cases not materialize at all if it were not known from the outset that competition will be discouraged by heavy capital requirements or lack of experience..."<sup>32</sup>

...The theory of simple and discriminating monopoly teaches that, excepting a limiting case, monopoly price is higher and monopoly output smaller than competitive price and competitive output. This is true provided that the method and organization of production—and everything else—are exactly the same in both cases. Actually however there are superior methods available to the monopolist which either are not available to a crowd of competitors or are not available to them so readily: for there are advantages which, though not strictly unattainable on the competitive level of enterprise, are as a matter of fact secured only on the monopoly level, for instance, because monopolization may increase the sphere of influence of the better, and decrease the sphere of influence of the inferior, brains, or because the monopoly enjoys a disproportionately higher financial standing...

There cannot be any reasonable doubt that under the conditions of our epoch such superiority is as a matter of fact the outstanding feature of the typical large-scale unit of control..., but in many cases of decisive importance they provide the necessary form for the achievement.<sup>33</sup>

His disciple Galbraith argued, similarly, that an oligopoly market structure was necessary for financing innovation:

...[A] benign Providence... has made the modern industry of a few large firms an excellent instrument for inducing technical change. It is admirably equipped for fi-

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<sup>32</sup> Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York and London: Harper & Brothers Publishers, 1942), p. 89.

<sup>33</sup> *Ibid.*, pp. 100–101.



nancing technical development. Its organization provides strong incentives for undertaking development and for putting it into use...

...Technical development has long since become the preserve of the scientist and the engineer... Most of the cheap and simple inventions have... been made. Not only is development now sophisticated and costly but it must be on a sufficient scale so that successes and failures will in some small degree average out...

Because development is costly, it follows that it can be carried on only by a firm that has the resources which are associated with considerable size. Moreover, unless a firm has a substantial share of the market it has no strong incentive to undertake a large expenditure on development...

...[I]n the modern industry shared by a few large firms size and the rewards accruing to market power combine to insure that resources for research and technical development will be available. The power that enables the firm to have some influence on prices ensures that the resulting gains will not be passed on to the public by imitators... before the outlay for development can be recouped...

The net of all this is that there must be some element of monopoly in an industry if it is to be progressive.<sup>34</sup>

The Schumpeterian model of the innovative firm tended to be extrapolated, in the liberal framework, to a general model for all progressive aspects of large organization. For Schumpeter and Galbraith, it was the large managerialist corporation run by central planner types that could afford to be innovative because it had the market power necessary to sell above marginal cost and thus recoup the outlays for innovation. For liberals, likewise, the large, bureaucratic business firm was most likely to be able to afford to be “progressive” (in the sense of offering good wages and benefits and secure lifetime employment) because of its market power.

In short, the ideal firm was something like a regulated monopoly, where a handful of giant organizations are guaranteed reasonable profits, and in return take good care of their serfs. The general idea is that monopolies as such are not bad, so long as they’re regulated along “progressive” lines. Private utility companies are monopolies, but the prices that they charge are regulated by the state, so costs are kept in line.

The proper approach was to encourage bigness, guarantee reasonable profits to the big guys, and then regulate the hell out of them (with the regulations in reality, as opposed to liberal dogma, themselves serving mainly as a way of guaranteeing profit). In James Weinstein’s phrasing, this meant “a commitment to the strengthening and rationalization of the large corporations,” on the condition that “the corporations recognized the social responsibilities that went along with domination of the society.”<sup>35</sup>

There was no doubt that the large organization was to be the norm. As Herbert Croly said, a genuinely fair and above-board system of corporate regulation, based on recognizing the large corporation (“recognition tempered by regulation”), would by no means amount to “a policy of strict neutrality between the small and the large industrial agent.” Far from protecting the corporations’ smaller competitors, in fact, it would effectively amount to a “discrimination in

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<sup>34</sup> John Kenneth Galbraith, *American Capitalism: The Concept of Countervailing Power* (Boston: Houghton Mifflin, 1962), pp. 86–88.

<sup>35</sup> Weinstein, *The Corporate Ideal in the Liberal State*, p. 30.

their favor.” The real advantage of the large over the small corporation depends, not on privilege and discrimination, but on

abundant capital, which enables it to take advantage of every opportunity, and to buy and sell to the best advantage. It depends upon the permanent appropriation of essential supplies of raw materials, such as iron ore and coal, or of terminals in large cities, which cannot now be duplicated. It depends upon possibilities of economic industrial management and of the systematic development of individual industrial ability which exist to a peculiar degree in large industrial enterprises. None of these sources of economic efficiency will be in any way diminished by the official programme of regulation...

Thus the regulation of the large corporation is equivalent to the perpetuation of its existing advantages.

...The huge corporations have contributed to American economic efficiency. They constitute an important step in the direction of the better organization of industry and commerce...

The constructive idea behind a policy of the recognition of semi-monopolistic corporations is, of course, the idea that they can be converted into economic agents which will make unequivocally for the national economic interest...<sup>36</sup>

The trust-busting reputations of Progressive Era politicians are by no means deserved. Croly's beau ideal of a statesman, Teddy Roosevelt, for example, denounced agrarian populists and trust-busters as “rural Tories”<sup>37</sup> James Weinstein described his position this way:

Roosevelt, of course, accepted the large corporations as the natural culmination of American industrial development, and sought to use the Sherman Act as a means simply of regulating corporate behavior. “Good” trusts, in Roosevelt's terminology, were those which acted in a socially responsible manner...<sup>38</sup>

“This is an age of combination,” Roosevelt told Congress in his Annual Message to Congress in 1905, “and any effort to prevent combination will not only be useless, but in the end vicious, because of the contempt for law which the failure to enforce law inevitably produces.” What was needed was “not sweeping prohibition of every arrangement good or bad, which may tend to restrict competition, but such adequate supervision and regulation as will prevent any restriction of competition from being to the detriment of the public.”<sup>39</sup>

The “‘good’ trusts” tended to coincide, specifically, with the coalition of “progressive” interests behind the National Civic Federation, the same ones that were willing to play ball with Roosevelt: “the larger corporations, railroads, and the various banks that financed them (particularly the House of Morgan)...”<sup>40</sup>

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<sup>36</sup> Croly, *The Promise of American Life*, p. 357–359, 362.

<sup>37</sup> Sklar, *Corporate Reconstruction of American Capitalism*, p. 401.

<sup>38</sup> Weinstein, *The Corporate Ideal in the Liberal State*, p. 67.

<sup>39</sup> *Ibid.*, p. 71.

<sup>40</sup> *Ibid.*, p. 4.

The same was true of Woodrow Wilson, who described anti-corporate populists as “retro-reformers” who wanted “to hale us back to an old chrysalis which we have outgrown.”<sup>41</sup> The remedy for the abuses of trusts was “not to disintegrate what we have been at such pains to piece together in the organization of modern industrial enterprise.”

As both a politician compelled to take a stand on the issues, and an intellectual adhering to the evolutionary-positivist mode of thought, Wilson consistently acknowledged and affirmed the historical development of large-scale corporate enterprise and its liquidation of the old proprietary-competitive regime. What history, or evolution, had wrought it was “futile and ridiculous” to oppose. “Modern business, he held, “is no doubt best conducted upon a great scale, for which the resources of the single individual are manifestly insufficient.” Capital and labor “must be massed in order to do the things that must be done for the support and facilitation of modern life.”... In the course of progressive evolution, in Wilson’s view, “Wide organization and cooperation have made the modern world possible and must maintain it.”... The large corporation was no mere necessary evil; it was a positive good—society’s instrument for its own progressive development...

The remedy for the trust problem, then, began with the affirmation of large corporate enterprise as the vehicle of economic progress, as the characteristic form of modern business organization, and as the basic component of a progressive modern society.<sup>42</sup>

The ideal “progressive” model for industrial organization, for twentieth century liberalism, was a bureaucratic behemoth like General Motors which, in return for guaranteed profits, provided a sort of employer-based welfare state, with high wages and guaranteed lifetime employment. It was just fine for GM to own half the manufacturing economy, so long as it guaranteed the American Dream to Michael Moore’s dad and his generation. In broadcast media it was the Big Three gatekeeper networks, governed by a Lippmannian professional ethos of “journalistic objectivity,” and with the Fairness Doctrine as backup.

For liberals the American Golden Age was the “Consensus Capitalism” of the New Deal and the first post-WWII generation, dominated by just such giant, bureaucratic organizations. The organization of work in this “progressive” sector of the economy was Taylorist/Weberian, and its market structure and approach to technological innovation were Schumpeterian.

There are a number of technological assumptions implicit in the Schumpeter/Galbraith/Chandler model. Most important is the assumption that production machinery is extremely expensive and the normal production model is capital-intensive. As we shall see below, when this assumption is undermined by technological changes that radically reduce the cost of communication hubs and production machinery, it undermines the entire industrial age organizational paradigm along with it.

### **III. Against the Network Revolution**

This general affinity for large-scale organization and hierarchy, more recently, has been reflected in hostility to the new forms of networked organization permitted by the emerging tech-

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<sup>41</sup> Sklar, *Corporate Reconstruction of American Capitalism*, p. 401.

<sup>42</sup> *Ibid.*, pp. 416–418.

nologies of the late twentieth century. The reaction to decentralized and networked organization, among conventional liberals, seems to be uniformly and viscerally negative. The professional vs. the do-it-yourself, the hierarchical vs. the networked, the managed vs. the ad hoc, the large and hierarchical vs. the small-scale—in every case, the antipathies are predictable to the point of stereotype. It’s hard, under such circumstances, not to suspect that some complex of cultural and aesthetic values lies at the root of their negative reaction.

Not only are networked and decentralized organizations at odds with the form of organization associated with Michael Moore’s Golden Age, but the wrong sorts of people are in favor of them; neoliberal types like Newt Gingrich and Tom Peters frequently wax gushy over the network revolution and all that cyber stuff, and have bad things to say about bureaucracy and Taylorism. So it must follow, by a certain logic, that anyone who says nasty things about Taylor and Weber or celebrates the network revolution is ideologically suspect.

The resulting tendency is to see any kind of decentralist alternative to the centralized corporate-state nexus as just another version of neoliberalism in sheep’s clothing.

### **Thomas Frank.**

To the extent that *One Market Under God* has an argument, it can be summarized as “You rotten kids get off of my lawn!” Like a Bircher’s use of “commie,” Frank uses “market populism” or “free market” as a loose catchall category that might better be named “everything I don’t like.” Everything Frank hated about the world of the nineties—globalization, the super-rich, management theory charlatanism, cowboy CEOs, mega-mergers, Dow 36000, the tech boom, the Internet, kids with lip rings who listen to grunge rock—falls under the heading of “free market.” If Frank complains that “[m]arket populism is an idea riven by contradictions,”<sup>43</sup> it may be because he’s crammed so many things into the category that are connected only by his idiosyncratic dislikes.

But most of Frank’s book seems not to be so much an argument as an endless series of lazy, by-the-numbers juxtapositions that *substitute* for an argument. He makes the leap from noting that many critiques of hierarchy, gatekeepers, managerialism, credentialing, etc., come from plutocratic shills, to working from the assumption—which is subjected to almost no critical scrutiny whatsoever—that making such a critique is itself *prima facie* evidence of being either a shill or dupe of the plutocrats. Because the interests of global corporations are often packaged in the language of techno-utopianism, it follows, in Frank’s logic, that anyone who celebrates network culture is carrying water for big business. The entire book is framed as a contrast between “their New Economy” and “our New Deal.”<sup>44</sup>

Frank quotes a fairly commonplace and unobjectionable statement of the principle of network effects—“the power of creativity rises exponentially with the diversity and divergence of those connected into a network”<sup>45</sup>—and then, with a wink and a nudge comparable to Sarah Palin’s use of “community organizer,” manages to insinuate that anyone who talks about “non-conformity,” “changing everything,” or “thinking different” has ipso facto confessed to being an agent of god-less International Capitalism.

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<sup>43</sup> Thomas Frank, *One Market Under God: Extreme Capitalism, Market Populism, and the End of Economic Democracy* (New York: Anchor Books, 2000, 2001), xv.

<sup>44</sup> *Ibid.*, p. 358.

<sup>45</sup> *Ibid.*, p. 16.

Frank dismisses Stewart Brand, John Perry Barlow, Kevin Kelley, Chris Anderson, and all those other “cyberlibertarians,” as just so many fronts for Dick Armev.

Worse yet, in an astonishing demonstration of cultural and ideological tone-deafness, he lumps free culture activists like Brand, Barlow and Richard Stallman together in the same category with walled garden “Information Superhighway” shills like Newt Gingrich, Tom Peters and Bill Gates (“Bill Gates and his legion of tattooed casual disciples”<sup>46</sup>).

While the cyber-industry went from nerdy to dreadlocked, its libertarian politics changed not at all. On the contrary, the main function of its radical differentness was to give its defenses of Microsoft or its declarations from Davos a convincing populist patina.<sup>47</sup>

(It’s interesting that Frank equates the defense of Microsoft with “libertarianism”; I know quite a few libertarians who would beg to differ.)

Anyone who uses some of the same words or emphasizes some of the same themes—even if they develop them in very different directions—is forced into the “market populist” box. The worst corporate shills and the most radically anti-corporate free software advocates are all blurred together into a single New Economy monolith—just because, you know, they say some things that sound similar.

Well, guess what? Rosa Luxemburg and Joseph Stalin also said some things that sounded similar.

In fact, Frank reminds me of nothing so much as Glenn Beck, who seizes on some word like “progressive” or “empathy” or “social justice” and then relentlessly combs through the speeches of Hitler and Stalin looking for sinister-sounding uses of that word, to prove that it’s “really” a “code word” for appointing ACORN *Gauleiters* in the major cities and packing off all the white Christians to FEMA death camps.

I wonder what Frank makes of The Pirate Bay? Or the existence of a free software movement for whose members Bill Gates is the most reviled figure in human history? Or the fact that people like Gates aren’t quite so friendly to a certain *kind* of openness? Frank’s ham-handed approach is a clear indication of just how poorly equipped he is to deal with such things.

Frank won’t *allow* the Internet to be anything but “market populist”; any suggestion that it might be used to anything but corporate ends is, well, “just exactly the sort of thing I’d *expect* you to say if you were working for THEM.” Because Frank clings so tenaciously to the dogma that we have only two alternatives—the 1950s-style consensus capitalism of Alfred Chandler and Michael Moore, and the neoliberal capitalism of Tom Friedman—he closes himself off to the possibility that the network revolution might actually *undermine* corporate power.

In the decade since Frank’s book was published, one of the most important recurring themes in economic news has been the war declared by Microsoft, the RIAA and MPAA on the radical wing of the network revolution. Reading Frank—including his more recent material—you’d have no idea that there are people like Richard Stallman, Cory Doctorow, Larry Lessig, etc., who really *don’t like* Bill Gates.

Although Frank implicitly treats people like George Gilder (who “frankly acknowledged that what he called ‘progress’ was ‘ineluctably elitist,’ since it ‘makes the rich richer’”<sup>48</sup>) as authorita-

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<sup>46</sup> *Ibid.*, xii.

<sup>47</sup> *Ibid.*, pp. 298–299.

<sup>48</sup> *Ibid.*, p. 35.

tive spokesmen for the New Economy, he completely ignores that the radical wing of the network revolution is at war with the *basic mechanism* by which the rich get richer. There's a sphincter-clinching irony in Frank's framing of market populism as a defense of businessmen against the scribe,<sup>49</sup> when a major part of the network revolution is a revolt by the scribes against corporate control.

Frank mocks, quite rightly, the neoliberals' facile use of "walls come tumbling down" symbolism post-Berlin Wall to celebrate the triumph of globalized capitalism. But his dismissal is overly broad:

In particular, "information" is said to militate by its very nature against dictatorship of any kind. In an ideological homily that would become so orthodox by the end of the decade that it would color much of the foreign affairs reporting to appear in the US, [Walter] Wriston recites how the VCR brought down Marcos, how the cassette tape brought down the Shah, and how TV destroyed Communism... In fact, so compelling was the freedom that the market offered that Wriston could confidently predict a day when the bankers' war became People's War, when even the proletariat would "fight to reduce government power over the corporations for which they work, organizations far more democratic, collegial, and tolerant than distant state bureaucracies."<sup>50</sup>

Reading Frank, again, you'd never guess that the same "walls come tumbling down" theme is celebrated by people who want to bring down corporate power. "Change" isn't just something which is done by corporations, in the spirit of *Who Moved My Cheese?*. It's also something a lot of us would like to do to corporations—and network culture is one of the most powerful weapons at our disposal.

Neoliberal commentators like Newt Gingrich and Tom Peters like to compare the "old economy" to the Soviet Gosplan. But for some of us, corporations like Nike and Microsoft are themselves vestiges of the old economy, and will be the last dominoes to fall.

In the decade since Frank wrote *One Market Under God*, many of the mainstream figures like Gates whose celebrations of network culture Frank lampooned have emerged as counter-revolutionaries, seeking to stand athwart the network revolution and yell "Stop!" An endless series of figures has emerged, attempting to clarify that what they *really* meant by the network revolution was something like the original vision of an "Information Superhighway": a much, much larger broadcast model with a hundred times more channels, lots of walled garden content that's easy to monetize, and lots of static websites like high-tech corporate sales brochures. Web 1.0 was just fine, and then you damned info-commies had to come along and ruin everything!

On the other hand this line from Frank could very well serve as the motto of the free software movement: "We did not vote for Bill Gates; we didn't all sit down one day and agree that we should only use his operating system and we should pay for it just however much he thinks is right."<sup>51</sup>

Frank & Co. don't just *ignore* network culture's challenge to corporate power. Perversely, as we will see below, when the left wing of network culture is at war with powerful corporate

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<sup>49</sup> *Ibid.*, p. 36.

<sup>50</sup> *Ibid.*, p. 55.

<sup>51</sup> *Ibid.*, p. 86.

interests like the proprietary content industries, liberals of Frank's stripe come down squarely *on the side* of big business—defending, again, the central mechanism which “makes the rich richer.”

Frank's work also embodies a basic internal contradiction common to most self-described “progressives”: the simultaneous attempt to promote the Consensus Capitalism of Michael Moore's Flint, Michigan ca. 1950, and to incorporate New Left-tinged critiques of mass-consumption culture and planned obsolescence. It's hard to miss the irony of extended quotes from Stewart Ewen's *Captains of Consciousness*, in a work dedicated to lionizing a system that couldn't have survived without the phenomena Ewen described.<sup>52</sup>

Everything negative Frank recognizes about the industrial age corporate order was a result of attempts by industrial age corporations to secure the preconditions of that order. As a wide range of thinkers from Schumpeter to Galbraith have noted, mass-production industry *requires* control of the external society to guarantee that its output is consumed.<sup>53</sup> You simply can't have the America of GM and the UAW as they existed in the 1950s, without accepting planned obsolescence and ubiquitous mass advertising as part of the package deal.

As a result, Frank's view of the classic industrial-age corporation is inevitably ambivalent. His view of managerial capitalism is ambivalent, as well. He expresses some hostility—and does so at length—toward Taylor insofar as the latter imposed authoritarian conditions on workers.<sup>54</sup> But he finds himself compelled to defend Taylorism and managerialism against the attacks of the management gurus. “The enemy of my enemy,” and all that. He sometimes drops hints that the way out of the dilemma is a “revival of labor,”<sup>55</sup> or an increase in labor's say over the production process through some sort of self-management scheme, but is oblivious to the possibilities the cheapening of means of production presents for challenging the basic structural supports of the wage system.

He derides statements (e.g. that of Charles Handy) that the information revolution empowers workers because “the ‘means of production,’ the traditional basis of capitalism, are now literally owned by the workers because those means are in their heads and at their fingertips.”<sup>56</sup> But as stated it is an entirely correct observation about the effect of technological changes on the nature of employment.

And Handy is hardly your conventional, flavor of the week management theory guru; among other things he foresees an evolving model of business organization in which shareholders are regarded as financiers rather than owners, and workers are viewed as “citizens” with ownership rights to a share of the profits they create.<sup>57</sup>

The cheapening of the means of production, in both manufacturing and cultural production, does in fact have a revolutionary effect insofar as it undermines the entire basis of the factory system and other forms of wage employment. The factory system and wage employment originally came about because the machinery required for production was too expensive to be owned by workers. The result was an economic model in which the means of production were owned

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<sup>52</sup> *Ibid.*, pp. 38–39.

<sup>53</sup> See “*Moloch: Mass Production Industry as a Statist Construct*,” C4SS Paper No. 3 (July 2009) <<http://c4ss.org/content/888>>; Chapter Two, “Moloch: The Sloanist Mass-Production Model,” in Carson, *The Homebrew Industrial Revolution: A Low-Overhead Manifesto* (Booksurge 2010), pp. 25–80.

<sup>54</sup> Frank, *One Market Under God*, pp. 181–182.

<sup>55</sup> *Ibid.*, p. 224.

<sup>56</sup> *Ibid.*, p. 202.

<sup>57</sup> Lawrence M. Fisher, “The Paradox of Charles Handy,” *strategy+business*, Fall 2003 <<http://www.strategy-business.com/article/03309>>.

by those rich enough to afford them, who then hired wage laborers to work them. When work that once required a publishing house or recording studio costing hundreds of thousands of dollars, can now be done with a desktop computer costing two orders of magnitude less, the entire rationale for the wage system has been compromised.

And in fact that tendency has been remarked on by a wide range of thinkers. As observed by both Luigi Zingales and David Prychitko, the shift from physical capital to human capital as the main source of equity and value-added in publishing, software, and assorted service industries has resulted in a tendency toward “breakaway firms.” Under these conditions, their former employer is left as little more than an empty shell and a name.<sup>58</sup> As I describe it in my latest book *The Homebrew Industrial Revolution*:

These developments have profoundly weakened corporate hierarchies in the information and entertainment industries, and created enormous agency problems as well. As the value of human capital increases, and the cost of physical capital investments needed for independent production by human capital decreases, the power of corporate hierarchies becomes less and less relevant. As the value of human relative to physical capital increases, the entry barriers become progressively lower for workers to take their human capital outside the firm and start new firms under their own control.<sup>59</sup>

In any industry where the basic production equipment is affordable to all, and bottom-up networking renders management obsolete, it is likely that self-managed, cooperative production will replace the old managerial hierarchies.

Another effect of the cheapening of the means of cultural production is that the portion of large-scale investment capital formerly absorbed by the information and cultural industries is becoming increasingly obsolete. As described by Douglas Rushkoff,

...The fact is, most Internet businesses don't require venture capital. The beauty of these technologies is that they decentralize value creation. Anyone with a PC and bandwidth can program the next Twitter or Facebook plug-in, the next iPhone app, or even the next social network. While a few thousand dollars might be nice, the hundreds of millions that venture capitalists want to—need to—invest, simply aren't required. Entrepreneurs who do accept such exorbitant funds do so knowing full well that they won't get paid back. The VC's investment is the entrepreneur's exit strategy.

The banking crisis began with the dot.com industry, because here was a business sector that did not require massive investments of capital in order to grow. (I spent an entire night on the phone with one young entrepreneur who secured \$20 million of capital from a venture firm, trying to figure out how to possibly spend it. We could

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<sup>58</sup> See David L Prychitko, *Marxism and Workers' Self-Management: The Essential Tension* ( New York; London; Westport, Conn.: Greenwood Press, 1991), p. 121n; Luigi Zingales, “In Search of New Foundations,” *The Journal of Finance*, vol. lv, no. 4 (August 2000),

<sup>59</sup> Carson, *Homebrew Industrial Revolution*, pp. 202–203.



only come up with \$2 million of possible expenditures.) What's a bank to do when its money is no longer needed?<sup>60</sup>

The same principle applies to the radical cheapening of means of physical production, as a garage factory with under \$10,000 worth of CNC machine tools can produce the kinds of goods that once required a factory costing a million dollars or more.

Under these conditions, in a rapidly growing number of kinds of production, the primary function of the old corporate framework—the governance of expensive production assets—is becoming obsolete. The only remaining function of the corporate framework in most cases is to use artificial scarcity, artificial overhead, and artificial entry barriers to retain control of human capital and extract rents from it.

Mainstream skills for the new information economy, people like Peters and Gingrich, envision a setup in which production *processes* are decentralized, but they continue to be capitalized as a source of rents by a class of super-rich absentee investors. But perversely, as we shall see below, it's liberals of Frank's stripe who frequently step up in defense of the "intellectual property" rights, the main means by which corporate hierarchies are able to maintain control over human capital.

Frank sometimes seems unable to grasp the basic *point* of the movement he's attempting to criticize. Take, for example, his reading of Jon Katz's critique of broadcast culture:

But in other showpieces of Internet ideology Gilder's populism was being successfully grafted onto a different "people" altogether: the libertarian hipster, the Republican Deadhead, the rock 'n' rolling millionaire, the dope-smoking stockbroker. Although you can find such figures in full cry almost anywhere on the Web, we will for sake of brevity focus first on Jon Katz, the veteran journalist who wrote media criticism for the computer industry magazine *Wired*. Katz took to the work with considerable ferocity, pounding on the "old media" with a piercingly populist critique. The signal failing of American journalism, according to Katz, was its "arrogance and elitism," a charge he lifted directly from the backlash play book (remember Limbaugh's war on "media elites") but which he updated with the now-standard patter about the democracy of listening... The term "elitism," as he used it, designated not the owning class but a certain attitude toward the people and towards popular intelligence... But such contempt for the public mind, Katz assured us, could never take place on the Net, this "new, democratic, many-to-many model of communication."<sup>61</sup>

This is an example of Frank's forced reading of pet sinister subtexts into everything he encounters, comparable to Glenn Beck's "Nazi Tourette's Syndrome" so effectively parodied by Lewis Black.<sup>62</sup> That bit about the "many-to-many model of communication," which Frank passes over as obviously just so much irrelevant techno-hipster jargon, is central to what Katz *means* by "elitism" and "democracy"—which, to anyone less obtuse than Frank, is *precisely* about "the owning class" and not "a certain attitude."

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<sup>60</sup> Douglas Rushkoff, "How the Tech Boom Terminated California's Economy," *Fast Company*, July 10, 2009 <<http://www.fastcompany.com/article/how-tech-boom-terminated-californias-economy>>.

<sup>61</sup> Frank, *One Market Under God*, p. 83. Jon Katz, *Media Rants* (San Francisco: Hard Wired, 1997), pp. 8, 11, 38, 43.

<sup>62</sup> <<http://www.youtube.com/watch?v=i1s4fj-5zlk>>.

Just as the radical cheapening of communications hubs has made corporate employers and intermediators obsolete, it also undermines the technical basis for the kind of concentrated corporate control of communications described by radical media critics like Edward Herman and Noam Chomsky. In the information and entertainment industries, before the digital and Internet revolutions, the initial outlay for entering the market was in the hundreds of thousands of dollars or more. The old electronic mass media, as Yochai Benkler put it, were “typified by high-cost hubs and cheap, ubiquitous, reception-only systems at the end. This led to a limited range of organizational models for production: those that could collect sufficient funds to set up a hub.”<sup>63</sup> The same was true of print periodicals: Between 1835 and 1850, the typical startup cost of a newspaper increased from \$500 to \$100,000—or from roughly \$10,000 to \$2.38 million in 2005 dollars.<sup>64</sup>

The networked economy, in contrast, is distinguished by “network architecture and the [low] cost of becoming a speaker.”<sup>65</sup> The central change that makes this possible is that “the basic physical capital necessary to express and communicate human meaning is the connected personal computer.”<sup>66</sup> The desktop revolution and the Internet mean that the minimum capital outlay for entering most of the entertainment and information industry has fallen to a few thousand dollars at most, and the marginal cost of reproduction is zero. The networked environment, combined with endless varieties of cheap software for creating and editing content, makes it possible for the amateur to produce output of a quality once associated with giant publishing houses and recording companies.<sup>67</sup> That is true of the software industry, the music industry (thanks to cheap equipment and software for high-quality recording and sound editing), desktop publishing, and to a certain extent even film (as witnessed by affordable editing technology and the success of *Sky Captain*). Podcasting technology makes it possible to distribute “radio” and “television” programming, at virtually no cost, to anyone with a broadband connection. A network of amateur contributors have peer-produced an encyclopedia, Wikipedia, which Britannica sees as a rival. As Tom Coates put it, “[T]he gap between what can be accomplished at home and what can be accomplished in a work environment has narrowed dramatically over the last ten to fifteen years.”<sup>68</sup>

The networked communication model undermines corporate power in all sorts of ways, of which what The Pirate Bay is doing to the RIAA is only the mildest foretaste. It also facilitates the kinds of networked resistance movements that David Ronfeldt and John Arquilla analyzed in a large body of literature for the Rand Corporation.<sup>69</sup> That model is applicable, specifically, to the networked model of labor struggle already prominent in public boycotts by the Imolakee Indian Workers, the Wal-Mart Workers Association, and assorted organizing campaigns by the Industrial Workers of the World—and is probably, in fact, the greatest hope for Frank’s desired

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<sup>63</sup> Yochai Benkler, *The Wealth of Networks: How Social Production Transforms Markets and Freedom* (New Haven and London: Yale University Press, 2006), p. 179.

<sup>64</sup> *Ibid.*, p. 188.

<sup>65</sup> *Ibid.*, pp. 212–213.

<sup>66</sup> *Ibid.*, pp. 32–33.

<sup>67</sup> *Ibid.*, p. 54.

<sup>68</sup> Tom Coates, “(Weblogs and) The Mass Amateurisation of (Nearly) Everything...” PlasticBag.org, September 3, 2003 <[http://www.plasticbag.org/archives/2003/09/weblogs\\_and\\_the\\_mass\\_amateurisation\\_of\\_nearly\\_everything](http://www.plasticbag.org/archives/2003/09/weblogs_and_the_mass_amateurisation_of_nearly_everything)>.

<sup>69</sup> See Chapter Three, Section F, “Networked Resistance, Netwar, and Asymmetric Warfare Against Corporate Management,” in Carson, *Homebrew Industrial Revolution*, pp. 129–152.

“revival of labor.” It’s applicable, as well, to the kind of “culture jamming” described by Naomi Klein in *No Logo* (e.g. Frank Kernaghan’s delicious blindsiding of Kathie Lee Gifford).<sup>70</sup>

Frank has a special animus against “Stewart,” the rebellious alt rock kid with piercings and skater hair who introduced his stodgy boss to online stock-trading in those old Ameritrade commercials (“Happy trading. Rock on.”).<sup>71</sup> What Frank neglects to consider is that in the real world, the Internet makes it a hell of a lot easier for kids like Stewart, not just to trade stocks online, but to organize an I.W.W. cell in their workplace. We’re living in a world where what the Wobblies used to call “open mouth sabotage” intersects with the “Streisand Effect.”<sup>72</sup> It’s now possible for any corporation engaged in a labor dispute or simply guilty of tawdry mistreatment of its workers, which in past years would have done so in obscurity, to find itself facing the same global media fishbowl and hyperlinked activist swarming that the Mexican government’s counter-insurgency campaign in Chiapas faced from the Zapatistas’ global support network.

But all of this is completely opaque to Frank. The Internet is never mentioned in his book except as a foil for some über-witty dismissal of techno-utopianism or market populism. He seems to be almost willfully unaware that the network revolution is contested terrain.

Frank also misses the significance of networked journalism. He devotes a considerable portion of *One Market Under God* to an entirely justified pillorying of the Gannett newspapers and their journalistic ethos of eschewing “cynicism” and “adversarialism,”<sup>73</sup> but misses the point that Internet journalism is a powerful weapon *against* this ethos. The world described by Noam Chomsky and Edward Herman, in which the major newspapers and network news organizations are owned by a tiny handful of media conglomerates, is a direct result of the enormous cost of media hubs. And as described by Yochai Benkler, the imploding cost of media hubs in the network revolution means corporations will never again possess that degree of control over information.

Consider Frank’s proposals for remedying the concentrated corporate control of media and the resulting consensus reality: “legislation to promote local control of newspapers, perhaps, or massive public subsidies to reduce the power of advertisers...”<sup>74</sup> But the *very same effect* is being achieved by the Internet’s *lowering* of barriers to entry, and by removing the barriers “intellectual property” erects to aggregation and critical commentary. Frank himself quotes the old adage that “freedom of the press belongs to those who own one,”<sup>75</sup> but misses entirely the significance of a revolution that’s reduced the price of a printing press from hundreds of thousands of dollars to the cost of a used desktop computer and printer.

Frank’s inability to understand the significance of network culture may be related to his implicit acceptance of the technological assumptions of Schumpeter, Galbraith and Chandler:

Scientific management was anathema to organized labor in the early years of the century, but it never really sat well with the truest believers in capitalism, either. Of course, the capitalists’ problem with Taylorism was of an entirely different nature.

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<sup>70</sup> *Ibid.*, pp. 139, 143–144.

<sup>71</sup> Frank, *One Market Under God*, pp. 143–144.

<sup>72</sup> Carson, “Open-Mouth Sabotage, Networked Resistance, and Asymmetric Warfare on the Job,” *P2P Foundation Blog*, March 15, 2008 <<http://blog.p2pfoundation.net/open-mouth-sabotage-networked-resistance-and-asymmetric-warfare-on-the-job/2008/03/15>>; “Streisand Effect,” Wikipedia <[http://en.wikipedia.org/wiki/Streisand\\_effect](http://en.wikipedia.org/wiki/Streisand_effect)> (captured June 11, 2010); *The Streisand Effect* (blog) <<http://www.thestreisandeffect.com/>>.

<sup>73</sup> Frank, *One Market Under God*, pp. 311–312.

<sup>74</sup> *Ibid.*, p. 315.

<sup>75</sup> *Ibid.*, p. 334.

What annoyed them about management was not its brutal effects on workers but its implications for economic government. If experts could successfully restructure a factory in a more efficient way, what was to stop them from restructuring an entire economy in a more efficient way, or—God forbid!—restructuring an entire economy in a more democratic way, or a more fair way? The success of scientific management clearly suggested that government intervention and maybe even government planning were legitimate pursuits. Management theory thus brought business a nasty ideological contradiction along with increased efficiency.

This is one of the reasons the free market faithful have long suffered from what might be called a horror of management. Obviously, the corporations they loved could not simply go without management or do without planning, but when the logic of management and planning was embraced by anyone outside the corporation it became instant anathema.<sup>76</sup>

Frank's argument makes a lot of assumptions that don't stand up very well to scrutiny. First, he shares Alfred Chandler's assumptions about the "increased efficiency" of large managerial hierarchies.

But for most categories of product, the most efficient way of organizing things is decentralized and flexible production, using general-purpose machinery to make short production runs of a wide variety of products for the local market, on a demand-pull basis. The alleged "efficiencies" of mass production are limited almost entirely to the unit costs of production at each separate stage in the production process. Beyond that, those "efficiencies" are more than offset by the stocks of in-process inventory, the warehouses full of finished goods inventory awaiting orders that may never come, the long-haul trucks and container ships that themselves amount to giant warehouses full of inventory, the enormous costs of supply-push marketing to get people to buy stuff that was produced mainly for the sake of utilizing production capacity rather than meeting autonomous demand, and the enormous costs of periodically replacing stuff that was designed to fall apart just so the wheels of production could keep turning.

These "efficiencies" of mass production, which are mostly taken for granted, are one reason the regulated utility model is so unsatisfactory. The price government approves for utility companies usually reflects an extremely high-overhead organizational culture, which is quite common in all businesses based on cost-plus markup rather than price competition. Monopoly and restricted competition is a source of cost, not only because of the rate of profit, but because of managerialism and bureaucracy. And the government, in "regulating" the prices monopolies can charge, generally takes that form of Weberian/Taylorist bureaucracy (mission statements, bureaucratic work rules, job descriptions, stovepiping of functions) as the natural way of doing things. Paul Goodman, in *People or Personnel*, contrasted the organizational style of the giant corporation, government agency and large institutional nonprofit to that of the small, self-organized, ad hoc institution.<sup>77</sup> Big government and big business share the internal organizational culture of "Brazil," so the government that's exercising "cost control" on hospitals probably doesn't have a clue as to how low costs could be cut in one of Paul Goodman's small ad hoc organizations. "Competition," rightly understood, is less about competition between a larger number of conventional

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<sup>76</sup> *Ibid.*, p. 188.

<sup>77</sup> Paul Goodman, *People or Personnel*, in *People or Personnel and Like a Conquered Province* (New York: Vintage Books, 1963, 1965), pp. 113–116.

capitalist corporations than about opening up competition from the kinds of unconventional entities currently hampered by regulation: low-cost, cooperative, self-organized, small and agile bodies like Colin Ward describes in his history of the mutual welfare state.<sup>78</sup>

In general, “competition” is worthless when all the competing firms share the same pathological, high-overhead organizational culture. And government price regulation is worthless when it shares the same conventional operating assumptions as the high-overhead entities it’s regulating. The military contractor, with its culture of cost-plus markup that gave us the \$600 toilet seat, is the classic example of the regulated utility model.

Also worth bearing in mind is *why* the big guys can afford to be “progressive,” and whether the little guy might be less “progressive” than he otherwise might have been because the big guys’ market power is putting him at a competitive disadvantage where he can’t *afford* to be progressive. A reading of *The Fiscal Crisis of the State*, by James O’Connor, will suggest all sorts of ways that monopoly capital is subsidized by the competitive sector. And what’s more, the superior quality of wages and benefits in the monopoly capital sector involves a significant amount of survivor bias.

Furthermore, the benefits of social investment and social consumption tend to flow primarily to monopoly capital and organized labor, but the costs devolve to competitive sector capital and labor. In other words, not only does the traditional functioning of the monopoly sector impoverish the competitive sector but also the growth of social investment and social consumption tends to intensify the contradictions between the two sectors. Specifically, from the standpoint of the monopoly industries it is more rational to combine unskilled or semiskilled laborpower with capital-saving technology because the costs of training technical laborpower are met by taxes paid by competitive sector capital and labor. Thus, the size of the surplus population in relation to the monopoly sector work force does not play an important role in regulating monopoly sector wage rates... The effect is that in the long run... the surplus population grows in size because of the expansion of the monopoly sector.<sup>79</sup>

The “progressive” conditions of labor in the monopoly capital sector are, to a significant extent, *at the expense* of workers in the competitive sector, thanks to the privileged status of state capitalist firms. Lenin’s model of monopoly capital sharing super-profits with a labor aristocracy is probably relevant here.

The main purpose of most state expenditures is to subsidize the operating costs or absorb the negative externalities of monopoly capital, and the tax burden for doing so is shifted disproportionately onto the competitive sector. Government subsidies to technical education, to scientific

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<sup>78</sup> Colin Ward, *Social Policy: An Anarchist Response* (London: Freedom Press, 1996); *Anarchy in Action* (London: Freedom Press, 1982). See also E. P. Thompson, *The Making of the English Working Class* (New York: Vintage Books, 1963, 1966); David Green, *Reinventing Civil Society* (London: Institute of Economic Affairs, Health and Welfare Unit, 1993); Peter Gray, “A Brief History of Friendly Societies,” at The Association of Friendly Societies website <<http://www.afs.org.uk/research/researchpgrayhistorypage.htm>> (The link is now defunct, but can be retrieved through the Internet Archive); Philip Gardner, *The Lost Elementary Schools of Victorian England* (Croom Helm, 1984); David Green, *Working-Class Patients and the Medical Establishment: Self-Help in Britain from the Mid-Nineteenth Century to 1948* (Aldershot, UK: Gower/Temple, 1986); David Beito, *From Mutual Aid to the Welfare State: Fraternal Societies and Social Services, 1890–1967* (Chapel Hill and London: The University of North Carolina Press, 2000).

<sup>79</sup> James O’Connor, *The Fiscal Crisis of the State* (New York: St. Martin’s Press, 1973), p. 161.

research, and to airports and highways serve primarily to subsidize business models based on high-tech and capital-intensive production for large market areas. On the tax side, exemptions from the corporate income tax—accelerated depreciation, the R&D credit, the deduction for interest on corporate debt, the exemption of stock transactions involved in mergers and acquisitions from capital gains—tend to exempt those engaged in those same business models, in addition to promoting the concentration of enterprise. And what corporate income tax is paid by the monopoly capital sector can be passed onto the consumer as a markup through administered pricing. If small business is unable to afford higher wages and benefits, or better working conditions, the reason is in part that under state capitalism it exists in a zero-sum relationship with the large corporation.

Second, the managerial classes—despite the self-congratulatory language of Croly’s manifesto—are far from being as “progressive” in matters of “democracy” and “fairness” as Frank suggests. In practice, they have been quite willing to cut deals with the propertied classes in return for being coopted as a junior partner of the ruling class. To the extent that corporate liberalism incorporates such New Class ideas of a “progressive” society as the welfare state, it has done so largely because those ideas coincide with the interests of one wing of organized capital. As James Weinstein describes it,

The original impetus for many reforms came from those at or near the bottom of the American social structure... But in the current century, ...few reforms were enacted without the tacit approval, if not the guidance, of the large corporate interests. And, much more important, businessmen were able to harness to their own ends the desire of intellectuals and middle class reformers to bring together “thoughtful men of all classes” in “a vanguard for the building of the good community.” These ends were the stabilization, rationalization, and continued expansion of the existing political economy, and, subsumed under that, the circumscription of the Socialist movement with its ill-formed, but nevertheless dangerous ideas for an alternative form of social organization.<sup>80</sup>

The agenda of the Progressives (and of their British Fabian counterparts) initially had some anti-capitalist elements, and inclined in some cases toward a paternalistic model of state socialism. But they quickly became useful idiots for corporate capitalism, and their “socialism” was relegated to the same support role for the corporate economy that Bismarck’s “Junker socialism” played in Germany. The New Class tended to expand its activities into areas of least resistance, which meant that its “progressive” inclinations were satisfied mainly in those areas where they tended to ameliorate the crisis tendencies and instabilities of corporate capitalism, and thereby to serve its long-term interests.

And since genuine working class socialism wasn’t all that friendly to a privileged position for the New Middle Class, whatever form of “socialism” the latter supported tended toward an extremely managerialist model that left the old centralized corporate economic structure in place with “progressive” white collar managers running it “for the workers’ good.”

As guild socialist G.D.H. Cole explained it,<sup>81</sup> genuine socialism (in the sense of direct worker control of production) wasn’t a very hospitable environment for managerialism. So the Progress-

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<sup>80</sup> Weinstein, *The Corporate Ideal in the Liberal State*, ix-x.

<sup>81</sup> G. D. H. Cole, “Socialism and the Welfare State,” *Dissent* 1:4 (Autumn 1954), pp. 315–331.

sive and Fabian types chose, instead, a model where production continued to be organized by giant corporate organizations, with a “progressive” New Middle Class running things and redistributing part of those organizations’ incomes in lieu of redistributing property itself.

But the practical limit on redistribution was on what the great capitalists themselves saw as necessary to overcome the tendencies toward overproduction, underconsumption, and political instability. So the New Class was able to promote “progressive” ends, for the most part, only to the extent that they were doing what the plutocracy needed for its own ends anyway. The New Class satiated its managerial instincts, instead, by regimenting the workers themselves (to “progressive” ends, of course, and for the workers’ own good).

So the upshot is that, in the words of Roy Childs, history shows “American liberal intellectuals to be the ‘running dogs’ of big businessmen...”<sup>82</sup>

Frank, on top of everything else, confuses the phenomena of globalized corporate capitalism with “the market,” and consequently confuses reining in the one with reining in the other—when, in fact, globalized corporate capitalism couldn’t exist without the state reining in the market.

“...[T]he key to reining in markets,” Frank says, is to “confront them from outside” in the same ways as the original Populists.<sup>83</sup> And elsewhere: “The logic of business is coercion, monopoly, and the destruction of the weak, not ‘choice’ or ‘service’ or universal affluence.”<sup>84</sup> But markets are in reality the most important countervailing power against big business. It is only through collusion with the state that coercion and monopoly are possible. Monopoly is a function of lack of competition, which is achieved by erecting barriers to entry—the main thing that states do.

It is only through the state’s grant of copyright monopolies, for example, that Bill Gates is able to charge whatever he likes for his operating system. Otherwise, there would be no barrier to creating a free operating system with a Windows user interface and compatible with all Windows accessories, but without the disk space wastage or DRM. More generally, the primary function of the state is to subsidize the operating costs of big business, to protect privileged corporate actors from competition and risk. In the specific case of corporate globalization, the primary role of both the World Bank and Western foreign aid spending is to subsidize the transportation and utility infrastructure without which it wouldn’t be profitable to offshore production. And without the global “intellectual property” regime, it would be impossible for global corporations like Nike to maintain control of outsourced production and charge a 400% brand name markup.

Frank’s attitude—I refuse to call it an argument—appears to be a party line among his posse at *The Baffler*. Any celebration of network culture, the open-source movement, or the like, is strongly suspected of being just another version of the “market populism” Frank critiqued in *One Market Under God*. A good example is Astra Taylor, who parodies the techno-utopian view in “Serfing the Net” (a title which says it all)<sup>85</sup>:

We are living in an age of unprecedented creativity, they tell us. But there was a dark time not long ago, the story goes, when authors exercised dictatorial control over passive readers, movie studios foisted films on captive audiences, listeners were

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<sup>82</sup> Roy Childs, “Big Business and the Rise of American Statism,” *Reason*, February 1971. Reprinted at <<http://praxeology.net/RC-BRS.htm>>.

<sup>83</sup> Frank, *One Market Under God*, xvii.

<sup>84</sup> *Ibid.*, p. 87.

<sup>85</sup> Astra Taylor, “Serfing the Net,” *The Baffler*, December 1, 2009 <<http://www.thebaffler.com/viewArticle/121/0/1/>>.

held hostage in their own homes by long-playing records, prime-time television only came on once a day, and professional journalists were gatekeepers to world events. And then, unleashing a torrent of interactivity, came the personal computer and its descendants: cell phones, digital cameras, iPods, TiVo, etc. Hook these magical gadgets up to a broadband connection, and innovation abounds: We can copy and paste, comment and link, download and share. The network revolution, the story goes, has finally made culture a two-way street, liberating the masses from the grip of greedy entertainment industries and quaint notions of authorial control and originality. We are all “content generators” now, free to produce, consume, exchange and remix as we like, free of charge in every instance.

This stirring tale of empowerment is told both by big business evangelists and smash-the-state anarchists, an unlikely alliance that is brought together by a shared fascination with the word “free.” But, as software guru Richard Stallman has asked, are they talking “free” as in speech or “free” as in beer? “Free” as in liberty or “free” as in markets? Free-spirited creators or freeloading CEOs? For some, the two meanings coalesce in a strange consumerist vision of a communitarian future: Freedom is a world where all the things you could ever want are free—as in gratis— which means you can share them without fear of having less for yourself.

The underlying assumption running through this should already be familiar to Frank’s readers: the “unlikely alliance” of big business and anarchists really means the free culture anarchists are just dupes or shells for big business.”

It’s hard to beat, for sheer irony, the sight of a segment of self-described “Progressives” who attack free/network culture as some sort of Trojan horse for Enron-style capitalism serving, simultaneously, as defenders of “intellectual property.” This odd association of “progressivism” with the defense of intellectual property rights is a theme we’ll see more of below. On the one issue where the “anarchist” and “big business” wings of Taylor’s “unlikely alliance” are diametrically opposed—intellectual property—Taylor comes down solidly on the side of big business.

It’s impossible to overstate just how central intellectual property is to corporate power. It is the linchpin of globalized corporate capitalism. It’s no coincidence that the major profitable sectors in the globalized corporate economy are all either heavily subsidized by the state, pursue a business model heavily dependent on “intellectual property,” or both: armaments, electronics, entertainment and software, agribusiness, and biotech.

But for Taylor, this doesn’t matter.

...The Internet revolution promised to help creators cultivate massive new audiences without interference from middlemen; social networking would substitute for expensive advertising campaigns and digital dissemination would make hard copies, plastic jewel cases and bubble mailers obsolete. But will people pay for art untethered to tangible things, when it can be replicated and transmitted with the push of a button? How are creative types supposed to sustain themselves and their efforts? After all, despite the plummeting cost of online distribution, art still requires an artist, a flesh-and-blood person who does the work and must be paid.

In other words, we’re back to the old Schumpeterian regulated monopoly thing. The problem with free culture is that copyright is necessary to guarantee someone’s right to be paid. Of



course in Taylor's fairy tale version it's not the right of the CEOs and major shareholders of the proprietary content corporations to be paid, so much as the good liberal foot-soldiers who churn out all the actual content.

But in keeping with the Schumpeterian model, the best way to guarantee payment to those tireless laborers in the cultural vineyards is to cartelize the market in the hands of a few giant corporations ("progressive" and heavily regulated ones, of course) which can thereby exercise the kind of market control necessary to be able to take care of its culture workers the same way GM took care of Michael Moore's dad.

Anyone who simultaneously complains of free culture as an enabler for "freeloader CEOs," and defends "intellectual property," has a case of cognitive dissonance the size of the San Andreas Fault.

Taylor herself cites Cory Doctorow as one thinker who believes the core logic of free and open culture is anti-capitalist: "there's a pretty strong case to be made that 'free' has some inherent antipathy to capitalism." But what's a bit of logic when it stands in the way of one's narrative?

To people like Frank and Taylor, anyone who talks about stuff like that is just another Tom Peters knockoff, and people like Doctorow are at best naïve dupes. Taylor, in all this diatribe, never directly addresses the question of whether the free and open source movement does in fact undermine corporate power. That it's a skill for corporate power just goes without saying.

Of course she does at least go one step further than Frank, by even acknowledging the *existence* of an open-source movement. But she's as unequipped as Frank to evaluate its significance:

Copyleft, as the advocates of this all-purpose transparency call it, is not "left" in any traditional sense; it has nothing to say about entrenched systems of economic privilege or limits on profitability. Likewise, the open-source movement does not provide the blueprint for a fairer social order. Techno-utopians, wonderstruck by the latest in programming geekery, project insights about software development onto the broader social sphere, and the rest of us mistake technology's gee-whiz factor for theoretical sophistication.

Oh, no? Taylor really doesn't think eliminating "intellectual property," the main legal support for the profits of the dominant corporations in the global economy, might just have some little tendency to undermine economic privilege or limit profitability? Taylor doesn't think a systematic critique of artificial scarcity as a source of rents qualifies as "theoretical sophistication" or "the blueprint for a fairer social order"?

All of her preciousness about "those who care about art" aside, I think what Taylor misses is that it's feasible for a larger number of people than ever before to obtain payment (in smaller amounts) for their ideas by marketing them directly to readers and listeners, as opposed to the previous state of affairs in which fewer people gained access to much larger sums of money by winning the approval of the corporate gatekeepers. What we're seeing is a return to the folk model of making modest incomes by direct production for one's audience, in place of a model in which the "artist" is the client of some bureaucratic government or corporate patron (with the giant publishing house or record company "keeping" the artist in the same way an Italian grandee kept his pet artist in the Renaissance).

Despite Taylor's fears that content creators won't be paid, I think the truth is far closer to Tim O'Reilly's observation that for the little guy, obscurity is a lot bigger danger than "piracy."<sup>86</sup> I suspect a lot of the critics are pretty unimaginative when it comes to thinking of alternative ways for content creators to monetize their products.

All they're thinking of is the stuff the proprietary content companies can't charge money for to pay content creators. They're not thinking of the new possibilities opened up by all the things that content creators can now do for themselves, at virtually zero cost, that formerly only a highly capitalized record or publishing company could do for them. Their entire view of the world is still shaped by a time when publishing, or producing and selling records, required capital assets costing many millions of dollars, and the way to make money from music or writing was to convince some such giant company that your work was worth producing and marketing.

I'm sure the overall revenue pie is a lot smaller. But that's offset to a significant extent by a reduction in the share of total revenue previously absorbed by recording studios and corporate marketing operations that are now within the means of the artists themselves. This is borne out by figures for the years 2004–2008, which show that while total music revenues in the UK fell from 1.067 million pounds to .782 million pounds, total payments to artists actually rose.<sup>87</sup>

But even assuming that "piracy" really does cut into the total revenues of the little guy who's trying to make a full-time career out of music or writing, that's looking at only one side of the picture. It neglects what Bastiat called "the unseen."<sup>88</sup> What revenue does come in to artists follows a much longer tail distribution, spread out among a larger number of people making small amounts of money, as opposed to larger amounts being concentrated in the hands of a smaller number of artists.

Let's consider my case. I don't waste time worrying about the sharing of pdf files of my books at torrent sites, or how much money it's costing me. To me, the proper basis for comparison is the money I still can make that I never could have made at all in the "good old days." In the good old days, I'd have painstakingly put together a manuscript of hundreds of pages, and then put it away to gather cobwebs when I couldn't persuade the gatekeepers at a conventional publisher that it was worth the cost of printing and marketing. Never mind whether online file-sharing's costing me money (I don't think it is—I believe the ebooks are more like free advertising). More importantly, if it weren't for digital publishing technologies and free publishing venues on the Internet, I would probably have lived and died doing menial labor with nobody anywhere ever hearing of my ideas. If I'd had to persuade a conventional publisher that my books could sell ten thousand copies before I could be heard, my entire writing career would have been confined to letters to the editor. Thanks to digital culture, I'm able to make my work directly available to anyone in the world who has an Internet connection, and market it virally to a niche readership at virtually no cost. If only a tiny fraction of the people who can read it for free decide to buy it, that's still enough to give me a few thousand dollars a year in royalties (my stipend for writing for Center for a Stateless Society, some freelance articles for *The Freeman* and my book royalties

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<sup>86</sup> Tim O'Reilly, "Piracy is Progressive Taxation," *O'Reilly Radar*, August 4, 2006 <<http://radar.oreilly.com/2006/08/piracy-is-progressive-taxation.html>>

<sup>87</sup> "Do music artists fare better in a world with illegal file-sharing?" *Times Online Labs Blog*, November 12, 2009 <<http://labs.timesonline.co.uk/blog/2009/11/12/do-music-artists-do-better-in-a-world-with-illegal-file-sharing/>>.

<sup>88</sup> Frédéric Bastiat, "What is Seen and What is Not Seen," *Selected Essays on Political Economy* (1848) <<http://www.econlib.org/library/Bastiat/basEss1.html>>.

together netted about \$7,000 last year), which is a few thousand more than I would have received in the “good old days” when my manuscripts would have yellowed in an attic.

For people like me, writing may not be a “job,” but it serves a function much like access to the common three hundred years ago: it provides supplemental income and reduces my short-term dependence on the job. My writing has enabled me to pay off my debts and to accumulate “go to hell money,” so that even if I can’t do without a job for an extended period of time, I am at least in a better bargaining position.

For every small full-time musician or writer who has a harder time scraping by, and may have to supplement his performing revenues with a day job, I suspect there are ten people like me who would have spent their entire lives as (if you’ll pardon the expression) mute inglorious Miltons, without ever making a single penny from their music or writing, but who can now be heard. And for every blockbuster writer or musician, who has a few million shaved off his multi-million dollar revenues as a result of online “piracy,” I suspect there are probably a hundred or a thousand people like me. Mike Masnick of *Techdirt* argues just that in response to similar complaints by Jaron Lanier:

Lanier also makes an odd claim that the old studio/label system allowed for a “middle class” of content creators. But that’s really not true. For most who go through that system it’s totally hit or miss, with most missing. But with new business models, we’re seeing more and more people who are able to make a perfect middle class living by not having to wait for the gatekeepers. More people are making money due to their music today than ever before, and it’s because they have all sorts of different ways to make money.<sup>89</sup>

It may well be that we’re returning to the *status quo ante*, the folk model that existed before the rise of the record industry, when large incomes for being a professional creator for mass audiences were rare—but many more people made small or supplemental incomes from local niche audiences.

Ironically it’s Lanier, who criticizes the free culture movement from a standpoint much like Taylor’s, who suggests “telegigging” as a something very like a digital-age version of just that business model: commissioning live performances, via network technology, for specific parties or other events. “What if you could hire a live musician for a party, even if that musician was at a distance?... Telepresent performance would... provide a value to customers that file sharing could not offer.”<sup>90</sup>

The whole industrial age paradigm that Frank celebrates—to repeat—was premised on the assumption that means of production were extremely expensive, and that the primary source of livelihood for the vast majority of people was employment by those rich enough to own means of production. It followed that these enormous concentrations of centralized economic power could only be controlled by countervailing concentrations of centralized political power. Meanwhile, the high cost of communications hubs implied similarly that information and culture would be controlled by a small handful of gatekeeper corporations, with the gatekeepers in turn kept honest by a system of countervailing regulatory power of its own.

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<sup>89</sup> Mike Masnick, “Nina Paley vs. Jaron Lanier,” *Techdirt*, January 21, 2010 <<http://www.techdirt.com/article.php>>.

<sup>90</sup> Jaron Lanier, *You Are Not a Gadget* (New York: Alfred A. Knopf, 2010), pp. 108–109.

The problem was that, in practice, the “countervailing” power of the regulatory state tended to cluster in complexes with the industries it was ostensibly regulating. In the information realm in particular, the gatekeeper media and the government coalesced into a mutually reinforcing establishment.

But the imploding price of the means of physical production and of communications hubs is undermining the entire rationale for the industrial age paradigm, and offers to undermine the foundations of both the large corporation and the centralized state.

The aspects of the New Economy that Frank and his associates find so troubling reflect the fact that we’re in a transition period. The forces of corporate capitalism, through state-enforced artificial property rights (“intellectual property” in particular), artificial scarcity, and mandated artificially high capital outlays and overhead, are trying to put new wine into old bottles: to coopt the network revolution into a corporate framework and capitalize it as a source of rents.

And people like Frank are, inadvertently, serving as useful idiots for that agenda.

Everything Frank finds objectionable about the New Economy corporate globalization results, not from the network revolution itself, but from the persistence of the corporate framework.

### **Andrew Keen.**

Keen’s critique of free business models, like Lanier’s below, is quite Schumpeterian: it emphasizes the need for large organizations, whose copyright ownership gives them the market power to charge above marginal cost, in order to monetize content and support creators.

Web 2.0, he says, “offers no one a job.”<sup>91</sup>

But perhaps the biggest casualties of the Web 2.0 revolution are real businesses with real products, real employees, and real shareholders... Every defunct record label, or laid-off newspaper reporter, or bankrupt independent bookstore is a consequence of “free” user-generated Internet content—from Craigslist’s free advertising, to YouTube’s free music videos, to Wikipedia’s free information.<sup>92</sup>

...The new winners... are unlikely to fill the shoes of the industries they are helping to undermine, in terms of products produced, jobs created, revenue generated, or benefits conferred.<sup>93</sup>

Of course, every free listing on Craigslist means one less paid listing in a local newspaper. Every visit to Wikipedia’s free information hive means one less customer for a professionally researched and edited encyclopedia such as *Britannica*. Every free music or video upload is one less sale of a CD or DVD, meaning one less royalty for the artist who created it.<sup>94</sup>

He complains of the comparatively low revenue from iTunes, and the fact that people can cherry pick a few songs they like instead of buying an entire crappy album.

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<sup>91</sup> Andrew Keen, *The Cult of the Amateur: How Today’s Internet is Killing Our Culture* (New York, London, Toronto, Sydney, Auckland: Doubleday/Currency, 2007), p. 31.

<sup>92</sup> *Ibid.*, p. 27.

<sup>93</sup> *Ibid.*, p. 27.

<sup>94</sup> *Ibid.*, p. 29.

These complaints are, to repeat, Schumpeterian. Market power can force people to buy an entire album of mostly crappy songs to get the ones they want. Market power can protect from competition products produced in the most resource-intensive way in order to keep up the return on investment capital, and protect the most labor-intensive ways of organizing production in order to keep the population fully employed at 40 hours a week. Businesses are entitled to state enforcement of such market power, in order to keep their chosen business models profitable, so they can continue to provide jobs, and provide profitable outlets for all the available investment capital and prevent a collapse of the securities market.

This is essentially the philosophy behind the Paulson/Geithner TARP policy, writ large: to prop up the inflated market value of an obsolete business model, in order to maintain the revenue streams of those employed by it. It's a "demand-side" response to the problems of abundance: "assuming that the prices of goods and services either will or should be propped up despite the imploding cost of production, and then looking for ways to provide the population with sufficient purchasing power to buy those goods." The goal of the demand-side approach is "a society in which virtually everyone works a forty hour week, the wheels of industry run at full capacity churning out endless amounts of stuff, and people earn enough money to keep buying all that stuff." The proper response, on the contrary, is on the supply-side: "flushing artificial scarcity rents of all kinds out of the system so that people will no longer need as many hours of wage labor to pay for stuff."<sup>95</sup>

Jessica Mitford described in *The American Way of Death*, as I vaguely recall, state regulations in effect at one time mandating that coffins be purchased even for bodies being cremated, in order to protect that source of revenue for funeral homes. That sounds quite irrational to any sensible person looking back on it today. But is it any more irrational than attempting to harness new network technologies, with their promise of low overhead and self-organization outside of bureaucratic hierarchies, to control by the very high-overhead bureaucracies they threaten?

Rather than government enforcement of monopolies to "maintain purchasing power, I propose eliminating existing government policies that put a floor under product prices, asset prices, and the cost of means of production."

Rather than maintaining the purchasing power needed to consume present levels of output, we should reduce the amount of purchasing power required to consume those levels of output. We should eliminate all artificial scarcity barriers to meeting as many of our consumption needs as possible outside the wage economy. We should eliminate all artificial scarcity barriers to meeting as many of our consumption needs as possible outside the wage economy...

Most of the money we spend is not on the necessary costs of producing the use-value we consume, but on the moral equivalent of superfluous steps in a Rube Goldberg machine: essentially digging holes and filling them back in. They include—among many other things—rents on copyright and patents, long-distance shipping costs, planned obsolescence, the costs of large inventories and high-pressure marketing associated with supply-push distribution, artificial scarcity rents on capital resulting from government restraints on competition in the supply of credit, and rents on

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<sup>95</sup> The quotes are from my article "Three Works on Abundance and Technological Unemployment: Part One—William Dugger and James T. Peach," *P2P Foundation Blog*, March 27, 2010 <<http://blog.p2pfoundation.net/three-works-on-abundance-and-technological-unemployment-part-one-william-dugger-and-james-t-peach/2010/03/27>>.

artificial property in land (i.e. holding land out of use or charging tribute to the first user through government enforced titles to vacant and unimproved land).<sup>96</sup>

I believe the whole concept of employment will become less meaningful as the falling cost of producer goods causes them to take on an increasingly tool-like character, and as the falling price of consumer goods reduces the need for wage income.<sup>97</sup>

Equally prominent in the ideology of managerialist liberalism, alongside its affinity for the large bureaucratic organization, is—as the title of Keen’s book suggests—the cult of professionalism.

Say good-bye to today’s experts and cultural gatekeepers—our reporters, news anchors, editors, music companies, and Hollywood movie studios. In today’s cult of the amateur, the monkeys are running the show.<sup>98</sup>

Moreover, the free, user-generated content spawned and extolled by the Web 2.0 revolution is decimating the ranks of our cultural gatekeepers, as professional critics, journalists, editors, musicians, moviemakers, and other purveyors of expert information are being replaced (“disintermediated,” to use a FOO Camp term) by amateur bloggers, back reviews, homespun moviemakers, and attic recording artists.<sup>99</sup>

Keen treats “professional selection” as a good in itself, essentially standing the arguments of radical media critics like Noam Chomsky and Edward Herman on their heads and *celebrating* the high cost of printing presses and the small number of hubs as a beneficent filtering mechanism:

Today’s print-on-demand services are turning amateur novelists into modern-day Gutenbergs, enabling anyone to publish anything, regardless of quality, for a fee...

...With 40,000 new books published each year by major houses—a number that most publishers would admit is far too many—do we really need to weed through the embarrassing efforts of hundreds of thousands of unpublished or self-published novelists, historians, and memoirists? According to John Sutherland, chairman of the 2005 Man Booker Prize committee, “It would take approximately 163 lifetimes to read all the fiction available, at the click of the mouse, from Amazon.com” And these are just the professionally selected, edited, and published novels. Do we really need to wade through the tidal wave of amateurish work of authors who have never been professionally selected for publication?<sup>100</sup>

Well, I suppose that depends on whom you’re asking. From the standpoint of someone who thinks he has something to say and isn’t interested in getting permission from a certified professional to say it, or someone who finds something of value in it, the answer is obviously “no.”

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<sup>96</sup> Carson, “Three Works on Technological Unemployment and Abundance, Part Four: Martin Ford’s Agenda and Mine,” P2P Foundation Blog, March 30, 2010 <<http://blog.p2pfoundation.net/three-works-on-technological-unemployment-and-abundance-part-four-martin-fords-agenda-and-mine/2010/03/30>>.

<sup>97</sup> *Ibid.*

<sup>98</sup> Keen, *The Cult of the Amateur*, p. 9.

<sup>99</sup> *Ibid.*, p. 16.

<sup>100</sup> *Ibid.*, p. 56.

From Keen's standpoint, the answer apparently is "sit down and shut up." Come to think of it, wouldn't the same critique apply to Gutenberg's printing press itself: the cost of printing and the importance of the gatekeeping function were a lot higher, after all, when the price of each individual copy of a book reflected the cost of feeding and housing the monk who copied it out in a scriptorium.

This value preference is reflected in Keen's lament for the ascendancy of "citizen journalism" and the associated decline of "objective professional journalism," which he complains kids today can't distinguish from "what they read on joeshmoe.blogspot.com."<sup>101</sup> But if this is a problem, it's a problem resulting from the critical thinking skills of the kids (you know, the ones they learned from the properly qualified professional gatekeepers in the publik skools), rather than from the nature of the medium.

Linking to one's sources, so they can be independently examined, is one of the basic conventions of good Internet journalism. If a "kid" doesn't automatically respond to a blogger's assertion by looking for a source (or he can't tell the difference between WhiteHouse.gov and WhiteHouse.org102), he's got a bigger problem than "objective professional journalism" can fix.

In fact one of the dangers of "objective professional journalism" is that its ostensible "objectivity" conceals so many hidden biases that, in the old days of gatekeeper culture, went unchallenged because of the unidirectional nature of the medium and the small number of hubs (see "Judith Miller"). Thanks to hyperlinked aggregator sites, Web-based journalism is far more accountable and verifiable than dead tree journalism ever was. To take one small example, consider Dan Rather's story on President Bush's National Guard records (and the possibility that he was able to go AWOL for an extended period without any repercussions) in 2004. One particular badly-chosen item turned out to be a false lead, and thereby essentially inoculated Bush against investigation of any other similar accusations. In fact from watching Dan Rather's piece, you'd never have gotten any idea that there *were* other similar accusations. On the other hand there were websites like AWOLBush.com entirely devoted to hosting large archives of Bush's National Guard records—with full citations for independent verification—lovingly edited and thoroughly analyzed, with enough evidence to damn him a dozen times over.

Keen bitterly mocks the alleged hopes that Web 2.0 journalism would bring "more truth to more people—more depth of information, more global perspective, more unbiased opinion from dispassionate observers."<sup>102</sup> But this misses the whole point. The real value of Web-based journalism is not that it's "unbiased" or "dispassionate," but that the overall process is adversarial and stigmergic.

Anyone, anywhere, who disputes an account of the world can ruthlessly fisk it, presenting hyperlinked evidence to challenge its accuracy. In the old model of dead-tree journalism, based on the "he said, she said" rule of stenographic reporting, one simply reported whatever politicians said as straight news without comment unless another politician could be quoted challenging it. In the new model, it's generally a matter of moments from when a politician asserts "I never said that" or "What I said was this..." to when the first blogger manages to Google a record of what the politician actually said and linking to a clip at YouTube. This form of cross-examination, almost completely missing from conventional journalism, is what Web-based journalism is all about. Web-based journalism has new means of independently evaluating credibility that are

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<sup>101</sup> *Ibid.*, pp. 3, 46–47.

<sup>102</sup> *Ibid.*, p. 16.

unavailable to the print media. (It's ironic, by the way, that Keen should be so catty about the general quality of amateur output, when his own commentary is made up to such a large extent of intellectually lazy airings of his personal prejudices.) Keen's view of the quality of Internet journalism is, to say the least, a bit idiosyncratic. Just look at his account of MoveOn.org and other similar sites:

The Internet has become the medium of choice for distorting the truth about politics and politicians on both sides of the fence. The 2004 attack on John Kerry's Swift Boat record in Vietnam, for example, was orchestrated by hundreds of bloggers who painted a patriotic American public servant as a patsy for Vietcong propaganda.

I confess this is an almost 180-degree reversal of my impression of the significance of news-blogging in the 2004 election cycle. I was amazed at just how quickly Democratic bloggers could dig up an old article or video clip, often from (say) Bush or Cheney himself—documented and hyperlinked—directly disproving some more recent assertion made by Bush or Cheney. The beauty of the medium, again, lies in its ability to juxtapose the assertions of public figures against hard evidence directly refuting them. To take the Swift Boat story in particular, as I recall the mainstream press did little more than report the allegations as straight news, other than on the rare occasions when Kerry himself worked up the backbone to deny them. The blogosphere, on the other hand, actually *examined* and *evaluated* them and presented factual information—with hyperlinks!—that called them into question.

Consider also the Bush-Cheney ad ridiculing Kerry's "funny ideas about energy" (i.e. that there should be a higher gasoline tax to encourage fuel-efficiency). Within hours, Democratic bloggers had linked to Cheney's old remarks in the Congressional Record, when oil prices were at a record low, calling for a price-support tax on imported oil when the price of petroleum fell below \$20/barrel.

As I said repeatedly at the time, if Kerry had been smart enough to fire his entire opposition research staff, put Markos Moulitsas or Atrios in charge of the operation, and led with their talking points every time he got behind a mike, he'd have be president today.

Today when the mainstream press repeats, without comment, Orrin Hatch's claims about the unprecedented nature of the use of reconciliation in polarized and closely divided debates, by the time Rachel Maddow's show airs on the same evening she's got clips of Orrin Hatch from four years earlier *defending* the use of reconciliation as a normal legislative tool in—wait for it!—polarized and closely divided debates. The Internet makes it possible, with virtually no transaction costs, to juxtapose a politician's factual assertions with professional journalistic accounts elsewhere—including records of what that same politician actually said on the same subject on another occasion—that subject them to factual verification.

Ironically Keen blames the popularity of "George W. Bush's war in Iraq" on the wisdom of crowds, and proposes as antidote that "[t]he arbiters of truth should be the experts—those who speak from a place of knowledge and authority."<sup>103</sup> Talk about *chutzpah!* The mainstream, "professional" media in 2002–2003 reported as straight news endless stories about the "Iraqi threat," up to and including Colin Powell's address to the Security Council—much as the mainstream press reported stories about Kuwaiti incubator babies and Iraqi armor massed on the Saudi border in 1990–91, and their progenitors in 1914 wrote of Belgian babies spitted on German bayonets.

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<sup>103</sup> *Ibid.*, p. 96.



The one thing different in 2003–2003, compared with previous agitprop by the perpetual warfare state and its client media, was that the official version of reality was contested on the Internet. That probably has something to do with why the majority in favor of war was so much less lopsided in 2003 than in 1991, and why public opinion went sour so much more quickly in the second Iraq war. The popularity of every war in American history has been manufactured by the state-complicit media. In 2003, for a change, it was possible to talk back. To borrow an analogy from the odious Jeanne Kirkpatrick, Keen confuses the fireman with the arsonist.

Under the Walter Lippmann model of journalistic “objectivity,” any attempt by the journalist to appeal independently to the factual realm to evaluate the truth value of contending claims is a violation of his professional neutrality. Keen—in one of his most strenuous performances of missing the point—complains that “much of the real news their blogs contain has been lifted from (or aggregated from) the very news organizations they aim to replace.”<sup>104</sup> No kidding—that’s the whole point: Internet journalists make more effective use of the information that’s out there than “professional” editors do.

For every single assertion made by a public figure and reproduced without comment as straight news in a conventional newspaper article, there are a hundred other articles out there by other conventional reporters containing information which sheds light on the truth-value of the public figure’s claim. But it’s only the bloggers and online journalists who put them together. Conventional newspapers almost never do the diligence of even a casual Google search to evaluate the statements of the rich and powerful in light of an independent factual realm, because that would be “taking sides.” According to Justin Lewis,

The norms of “objective reporting”... involve presenting “both sides” of an issue with very little in the way of independent forms of verification... [A] journalist who systematically attempts to verify facts—to say which set of facts is more accurate—runs the risk of being accused of abandoning their objectivity by favoring one side over another...

...[J]ournalists who try to be faithful to an objective model of reporting are simultaneously distancing themselves from the notion of independently verifiable truth...

The “two sides” model of journalistic objectivity makes news reporting a great deal easier since it requires no recourse to a factual realm. There are no facts to check, no archives of unspoken information to sort through... If Tweedledum fails to challenge a point made by Tweedledee, the point remains unchallenged.<sup>105</sup>

In fact the Pentagon under the Bush administration actually considered it a problem that *Washington Post* reporter Tom Ricks developed a wide range of sources and “did not give enough credence to official, on-the-record comments that ran counter to the angle of his stories.”<sup>106</sup>

The preferred “professional” journalistic approach was illustrated, in satirical form, on the Daily Show:

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<sup>104</sup> *Ibid.*, p. 52.

<sup>105</sup> Justin Lewis, “Objectivity and the Limits of Press Freedom,” in Peter Phillips & Project Censored, *Censored 2000: The Year’s Top 25 Censored Stories* (New York, London, Sydney, and Toronto: Seven Stories Press, 2000), pp. 173–74.

<sup>106</sup> Harry Jaffe, “Pentagon to Washington Post Reporter Ricks: Get Lost,” *The Washingtonian*, December 29, 2003 <<http://washingtonian.com/inwashington/buzz/tomricks.html>>.

**STEWART:** Here's what puzzles me most, Rob. John Kerry's record in Vietnam is pretty much right there in the official records of the US military, and haven't been disputed for 35 years?

**CORDDRY:** That's right, Jon, and that's certainly the spin you'll be hearing coming from the Kerry campaign over the next few days.

**STEWART:** Th-that's not a spin thing, that's a fact. That's established.

**CORDDRY:** Exactly, Jon, and that established, incontrovertible [sic] fact is one side of the story.

**STEWART:** But that should be—isn't that the end of the story? I mean, you've seen the records, haven't you? What's your opinion?

**CORDDRY:** I'm sorry, my opinion? No, I don't have 'o-pin-i-ons'. I'm a reporter, Jon, and my job is to spend half the time repeating what one side says, and half the time repeating the other. Little thing called 'objectivity'—might wanna look it up some day.

**STEWART:** Doesn't objectivity mean objectively weighing the evidence, and calling out what's credible and what isn't?

**CORDDRY:** Whoa-ho! Well, well, well — sounds like someone wants the media to act as a filter! [high-pitched, effeminate] 'Ooh, this allegation is spurious! Upon investigation this claim lacks any basis in reality! Mmm, mmm, mmm.' Listen buddy: not my job to stand between the people talking to me and the people listening to me.<sup>107</sup>

The fundamental question is whether truth is to be achieved through filtering by professional gatekeepers, or through the same adversarial process that governs the courtroom. Keen's conception of "reliability" and "accuracy," based on certification by authority, stands fundamentally at odds with a model of reliability based on documentation and cross-examination. The natural question confronting advocates of Lippmann's model of dispassionate Platonic Guardians, operating above the fray of mere opinion, is: who guards the Guardians?

Keen, in his litany of examples of news trivia, complains that George Allen's "*macaca* moment" was virally ridden into the ground.<sup>108</sup> But let's stand his complaint on its head: do you want to live in a world where an "objective, professional journalist" decides whether you "need to know" about Allen's "*macaca* moment"? Or more to the point, do you want to live in a world where Katherine Graham of the Gray Lady decides whether some bit of information should be news? Recall this quip from the patron saint of professional gatekeepers:

There are some things the general public does not need to know and shouldn't. I believe democracy flourishes when the government can take legitimate steps to keep its secrets and when the press can decide whether to print what it knows.<sup>109</sup>

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<sup>107</sup> Eschaton blog, August 22, 2004 <[http://atrios.blogspot.com/2004\\_08\\_22\\_atrios\\_archive.html#109335851226026749](http://atrios.blogspot.com/2004_08_22_atrios_archive.html#109335851226026749)>.

<sup>108</sup> Keen, *The Cult of the Amateur*, p. 67.

<sup>109</sup> Norman Solomon, "Snow Job: The Establishment's Papers Do Damage Control for the CIA," *FAIR*, January/February 1997 <<http://www.fair.org/index.php?page=1374>>.

Keen is entirely correct that there is an enormous army of old-fashioned shoe-leather reporters out there collecting the vast majority of news. But conventional editors do a horrible job of putting this army to effective use. As Lincoln reputedly said to General McClellan, “If you don’t intend to use that army, do you mind if I borrow it?” What’s more, Keen’s criticism of aggregators cuts both ways: editors make use of shoe-leather reporting and wire service copy they didn’t actually generate themselves. Web-based aggregators and conventional editors are doing essentially the same job: aggregating content produced by other people into a final package. Web-based news aggregators and bloggers, I would argue, are the new editors, making better use of conventional reporting than the old-line editors do.

Keen, as an example of the radical epistemological uncertainty confronting any would-be Internet news reader, points to “flogs” (purportedly independent blogs which are actually corporate PR efforts).

He mentions, in particular, the “Working Families for Wal-Mart” bloggers, actually three people from Edelman PR who published attacks on Wal-Mart critics.<sup>110</sup> Keen, oddly enough, doesn’t mention where he found out about “Working Families for Wal-Mart.” Since there’s no footnote (ahem!), I’m just guessing, but I strongly suspect he got his information from FAIR or PR Watch, or some comparable service.

Keen displays a similar lack of understanding of stigmergy and the adversarial approach when it comes to Wikipedia. He’s all over Wikipedia for its lack of professional editors and fact-checkers.<sup>111</sup> What he fails to note is that the rate of error in Wikipedia is actually comparable to that of *Britannica*.<sup>112</sup> And while it takes *Britannica* until the next edition is painstakingly ground out, over a period of many months and tens of thousands of committee man-hours, to correct an hour, errors in high-profile Wikipedia articles are usually corrected in a matter of minutes. He also fails to grasp the main *purpose* of an encyclopedia. An encyclopedia is used either for a cursory search for the most basic and non-controversial information, or as jumping-off point for further research; it’s almost never cited as an authority in a matter of scholarly contention. Given that, I seriously question the intelligence of anyone who would shell out over a thousand dollars for *Britannica* in preference to Wikipedia.

Keen also decries the loss of “authorial voice” (in terms very similar to Lanier’s, which we shall see below). He seems to be seriously apprehensive lest there be no mechanism for distinguishing the original version of *Moby Dick* from mashups and knockoffs, for anyone who wants to know (it’s a good thing he wrote before *Pride and Prejudice* and *Zombies* came out).<sup>113</sup> And he also seems to think that it’s genuinely “hard to understand” the danger of buying stocks based on pitches in spam email.<sup>114</sup>

Keen sounds a lot like elderly second-hand Internet critics who seem to think the Web is just a random soup of unorganized and undifferentiated content, and that you just boot up your computer and look at whatever happens to fortuitously appear on your screen from one moment to the next. To read Keen, you’d have no idea that the very volume of information puts a premium on services for indexing and filtering information to determine what’s relevant and worth looking

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<sup>110</sup> Keen, *The Cult of the Amateur*, p. 85.

<sup>111</sup> *Ibid.*, p. 44.

<sup>112</sup> 162 errors in Wikipedia and 123 in *Britannica* out of 42 entries tested. Jim Giles, “Internet Encyclopedias Go Head to Head,” *Nature*, December 15, 2005 <<http://www.nature.com/nature/journal/v438/n7070/full/438900a.html>>.

<sup>113</sup> Keen, *The Cult of the Amateur*, p. 58.

<sup>114</sup> *Ibid.*, pp. 70–71.

at. Believe it or not, it's pretty easy to find what you're looking for—if *you know what you're looking for*. And if you don't know what you're looking for, the Internet is the least of your problems.

Although Borges' Library of Babel is a popular analogy for Keen and those of like mind,<sup>115</sup> the defining characteristic of the Library of Babel is that it *doesn't have a card catalog*. The principle was explained very well in an exchange between two commenters under an article by Mike Masnick:

**Anonymous Coward:** He forgot to mention that the good stuff is way harder to find, because it is buried under piles and piles and aisle after aisle of the bad stuff. It's like going into your local food store, and finding the soda aisle has nothing but off brands and store brands, and at the back of the last row on the right, there is one bottle of the "good stuff".

There isn't significantly more quality anything out there... but there sure is a whole lot more out there. Ratio wise, easy publishing is stinking the place up.

**Mike Masnick:** Hence the business opportunity in finding the good stuff.

**Lobo Santo:** ...[Y]our neighbors/friends/family will say things like "Have you tried this one? It's great!" or "Stay away from that brand, it's crap."

**The Stupid One:** Finding good content amongst the crap that is out there is much easier than you seem to think. If you want to find some good stuff, look at <http://www.stumbleupon.com/> or <http://digg.com/>. Then once you find something you like, see what that site links to. and what those sites link to. Also, just read some things that your friends recommend.<sup>116</sup>

## Jaron Lanier.

Lanier, like Keen, complains of the networked blogosphere in a way that very much misses the point. It's an era with a lot fewer Woodwards and Bernsteins, he says, and a lot more bloggers—despite the crying need for investigative journalism in today's corrupt political and economic environment.

Instead of facing up to a tough press, the [Bush] administration was made vaguely aware of mobs of noisily opposed bloggers nullifying one another. Sure bloggers uncovered the occasional scandal, but so did opposing bloggers. The effect of the blogosphere overall was a wash...<sup>117</sup>

Lanier might just as well complain that the adversarial system of justice is "a wash" because of the coexistence of attorneys for the prosecution and defense.

The Gannetization of the media, and the near-extinction of Woodwards and Bernsteins, were accomplished facts before the Web ever came along. And even in the Golden Age of Cronkite and the *Washington Post*, the "professional" gatekeepers—members, after all, of the same establishment that the "Fourth Estate" supposedly keeps in check—suppressed critical news as often

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<sup>115</sup> *Ibid.*, p. 84.

<sup>116</sup> Comments under Mike Masnick, "The Fact That Anyone Can Publish Means More of the Good Stuff... And Yes, More Of The Bad Stuff," *Techdirt*, October 21, 2009 <<http://www.techdirt.com/articles/20091015/1849086555.shtml>>.

<sup>117</sup> Lanier, *You Are Not a Gadget*, p. 85.

as they promoted it (remember that Katherine Graham quote above?). Until Walter Cronkite finally decided, after the Tet Offensive, to present a mildly skeptical take on the Vietnam War, the American public heard never a discouraging word from the mainstream press. That's several years of Diem overthrows, Tonkin Gulf incidents, strategic hamlets, free-fire zones and Operation Phoenixes, before the establishment liberal gatekeepers decided a genocidal counterinsurgency war had been—just maybe—a “mistake.” Imagine, on the other hand, if we'd had an Internet in 1965.

What the Web has done is replace a consensus system managed by gatekeepers with an adversarial system. How many times has some mainstream political figure from either party referred to the UN inspectors being “kicked out of Iraq” in 1998, to the sound of crickets chirping in the “professional” media—while the bloggers point out for the umpteenth million time, with hyperlinks, that they were actually *withdrawn*?

When people like Keen and Lanier lament the “loss of authorial voice” and the prospect of the Internet becoming a Library of Babel, I really have to wonder what they're on about. Lanier writes:

Instead of people being treated as the sources of their own creativity, commercial aggregation and abstraction sites presented anonymized fragments of creativity as products that might have fallen from the sky or been dug up from the ground, obscuring the true sources.<sup>118</sup>

Contrary to the impression Lanier gives, the vast majority of what I read online is under the byline of an actual human being, with all the bibliographic citation data concerning where the piece of work originally appeared readily available. And anyone even minimally competent in the use of a search engine can track down the source of a text, in most cases, with little difficulty. Almost nothing I read on my feed reader or at aggregator sites is an “anonymized fragment of creativity” whose true source has been obscured. Everything I read at Altnet or Antiwar.com (for example) is a complete article with an actual writer's byline, and with a link to the original source. By the same token, many of the alleged problems people like Lanier find in Wikipedia would be answered if they simply noticed the “History” tab over each article.

And the conventions of footnoting within such works are at least as prevalent in the online venues I frequent as they are in the dead-tree world. From what I've seen, the writers of most conventional newspaper and wire service copy don't have a clue about how to cite a publication with sufficient information for the reader to look it up independently. One of my pet peeves is articles by mainstream journalists about astonishing revelations in leaked government documents, with inaccurate titles and no catalog number or date. Conventional reporters, in fact, often seem ill at ease with written sources. As Sam Smith of the *Progressive Review* puts it,

...I find myself increasingly covering Washington's most ignored beat: the written word. The culture of deceit is primarily an oral one. The soundbite, the spin, and the political product placement depend on no one spending too much time on the matter under consideration.

Over and over again, however, I find that the real story still lies barely hidden and may be reached by nothing more complicated than turning the page, checking the

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<sup>118</sup> *Ibid.*, p. 16.

small type in the appendix, charging into the typographical jungle beyond the executive summary, doing a Web search, and, for the bravest, actually looking at the figures on the charts.<sup>119</sup>

One of the most important conventions of online reporting and blogging, on the other hand, is the hyperlink. The snippets I see quoted at Wikipedia, the P2P Foundation Wiki, and the Open Source Ecology Wiki (the wikis I am most familiar with) are no different in content or method of citation from the snippets quoted in conventional dead tree works, and I have no difficulty tracking down the original source.

What's more, "authorial voice" is the *main source of value* of both aggregated and "pirated" content. The usefulness of competing aggregators is judged by how reliably they can direct readers to the kind of information they're looking for, which means there's not much point to an aggregator that presents content without any clue as to the authorship or source. As for "piracy": although Lanier complains about "anticontext file sharers,"<sup>120</sup> "context" is the only reason people seek out files in the first place. The whole value of content at file-sharing sites comes from authorial identity. While millions of people search The Pirate Bay for *London Calling* by The Clash, the very same content listed as *London Calling* by The Joe Blow Band won't find many takers.

Reading Lanier, you wouldn't have any idea that filtering, indexing and cataloging content, and providing certification of authenticity, is actually a source of value on the Internet. He is so obsessed with what James Scott calls "legibility from above" that he ignores the evolution of mechanisms for horizontal legibility. What Lanier is complaining about, apparently, is bot-generated spam-blogs and search engine spam. Certainly all the aggregated content I read is aggregated in identifiable venues based on the judgment of some individual, and not "the automated aggregations of the cloud."<sup>121</sup> Anyone who's unable to distinguish bot-aggregated spam content from valuable information must be pretty dim indeed. In fact, Lanier's alarm strikes me as being as contrived as the postmodernists' ostensible concerns with radical epistemological uncertainty and their exaggerated views of the opacity of language and the difficulty of conveying meaning. Lanier at one point notes the importance "some signal processing [being] placed in the loop"—signal processing being "a bag of tricks engineers use to tweak flows of information"—for the proper functioning of a stigmergic system. What Lanier misses is that signal processing is the central difference between Borges' Library of Babel and the Internet. If books in the Library of Babel were selectively linked to one another, via some sorting mechanism based on meaningfulness to those seeking information, it wouldn't be the Library of Babel.

Lanier's contrived concern based on the average person's alleged incompetence, in the absence of "professional" intermediators, is the basis for widely shared cult of professionalism—as we already saw above in the case of Keen—even when market power as a material prerequisite for "progressive" paternalism isn't an issue. This sentiment is echoed by critics of informal production in other realms, as we will see below.

Lanier doesn't help matters by taking the most over-the-top, Chardinian pronouncements by Kevin Kelly on "the hive mind" and "turning all the world's books into one book" as somehow representative of the free culture movement.<sup>122</sup>

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<sup>119</sup> Peter Phillips and Project Censored, *Censored 2000* (New York: Seven Stories Press, 2000), p. 60.

<sup>120</sup> Lanier, *You Are Not a Gadget*, p. 17.

<sup>121</sup> *Ibid.*, p. 72.

<sup>122</sup> *Ibid.*, p. 26. Not to mention that the "hive mind" Kelly discusses in Chapter Two of *Out of Control* is explicitly described as stigmergic and distributed and that, stripped of hyperbole, it arguably refers to an emergent phenomenon

My impression is that the “collectivism” of Kelly and Anderson is more about the emergent properties of the whole, rather than about the anonymity of its parts. Stigmergic collective intelligence is not incompatible with radical individualism. Or if Kelly and Anderson are guilty of minimizing the individual aspects of stigmergy, then I think they’re missing the real point of the kind of collective behavior actually emerging on the Web. But one of Lanier’s own anecdotes of a conversation with Kelley—in which the latter pointed out that the online forums that “work” are usually individual projects rather than automatic aggregators—suggests his view of Kelley is a caricature.<sup>123</sup>

Lanier himself comes very close to stumbling onto a correct understanding of this. “The reason the collective can be valuable,” he writes,

is precisely that its peaks of intelligence and stupidity are not the same as the ones usually displayed by individuals.

What makes a market work, for instance, is the marriage of collective and individual intelligence. A marketplace can’t exist only on the basis of having prices determined by competition. It also needs entrepreneurs to come up with the products that are competing in the first place.

In other words, clever individuals, the heroes of the marketplace, ask the questions that are answered by collective behavior...

There are certain types of answers that ought not be provided by an individual. When a government bureaucrat sets a price, for instance, the result is often inferior to the answer that would come from a reasonably informed collective that is reasonably free of manipulation or runaway internal resonances. But when a collective designs a product, you get design by committee, which is a derogatory expression for a reason.<sup>124</sup>

What he describes is stigmergy which, far more than Kelly’s hyperbole, is what Web 2.0 is really about. But he still only grazes the point: there’s a big difference between design by

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of patterned interaction between independent individual consciousnesses rather than the submergence or dissolution of individual consciousness in a “collective.” *Out of Control: The New Biology of Machines, Social Systems, and the Economic World* (Basic Books, 1995) <<http://www.kk.org/outofcontrol/contents.php>>, Chapter Two. More generally, critiques of “cyber-collectivism” and “digital Maoism” miss the point of stigmergic organization. Stigmergy is a synthesis of individualism and collectivism in their highest forms. It is “collective” in the sense that it is emergent, and the whole is greater than the sum of its parts. But it is the ultimate fulfillment of individualism in the sense that it is easier than ever before for individuals, acting as individuals, to create a collective product without acting collectively or taking directions from the administrative apparatus of a collective institution. The “individualism” of the old broadcast culture, on the contrary, was of the individuals who controlled the gates and sat at the tops of the Chandlerian pyramids. The beauty of stigmergic organization is that in (say) the Linux community, any *individual* who objects to any aspect of the project can fork it and create a version to his liking. And any *individual* who prefers that new version is free to adopt it and abandon the other version. Likewise for open design communities with widespread cheap garage manufacturing tools. There is no gatekeeper, empowered by the high cost of communication hubs or production machinery, who can speak for a collective institution, or deny *individuals* permission to make whatever they like to their own *individual* tastes. A stigmergic organization, far from being dumbed down to the least common denominator like old-style collective organizations, can be as smart as the smartest individual—because nothing prevents the free adoption of his contribution by any number of individuals using their own judgment.

<sup>123</sup> *Ibid.*, p. 72.

<sup>124</sup> *Ibid.*, p. 56.

committee and stigmergic design by individuals designing modular accessories for a common platform. The stigmergic design process described by Eric Raymond in *The Cathedral and the Bazaar*, as Lanier should know, is about breaking down monolithic designs into constituent parts so that a “collective,” in the sense of something so big that it has to be coordinated by a central administrative authority, is no longer necessary. The hyperlinked blogosphere is the sum total of millions of individual acts by individuals posting content, and linking to other people’s individual content, entirely for their own individual reasons.

Howard Rheingold and Paul Harzog explain an important distinction:

Collective action involves freely chosen self-election (which is almost always coincident with self-interest) and distributed coordination; collectivism involves coercion and centralized control; treating the Internet as a commons doesn’t mean it is communist...<sup>125</sup>

Lanier’s problem is all summed up in the last line of his article: “The best guiding principle is to always cherish individuals first.” The tension between the individual and the group is not something that can be permanently decided by an ad hoc moral decision that outputs a static rule to be applied in perpetuity.

Rather, achieving a successful balance between individual and collective needs is an ongoing process (largely addressed by social and political theory). Frankly, I’ve gotten used to expecting this attitude ever since Microsoft co-founder Bill Gates described free culture advocates as a “modern-day sort of communists.” Oddly enough, I actually think a lot of collective activity that is currently evolving is collectivist, but only if you stretch the meaning to include things like basic cooperation. Self-election and distributed coordination are important and interesting but new technologies like wikipedia still rely on centralization and coercion. In wikipedia’s case, there is centralized ownership of servers and DNS, and social coercion is used to marginalize some comments and legitimate others. Even p2p “commons” like BitTorrent use coercion built right into the tool itself: you have to upload more than you download (something Lawrence Lessig prophesied way back in his book *Code but re: DRM*). I agree with Howard that people conflate collective action (or phenomena) with collectivism, but we can have good or bad collectivism just as we can have good or bad liberal individualism or democracy. Moreover, even if overcoming collective action problems using cooperative technology is a new form of collectivism, my question would be “what’s wrong with that?”<sup>126</sup>

Lanier, like Keen, makes much of the failure of new business models to monetize content creation.

He acknowledges that, for a large part of the free culture/open source movement, decreased monetization is actually the point:

A prominent strain of enthusiasm for wikis, long tails, hive minds, and so on incorporates the presumption that one profession after another will be demonetized.

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<sup>125</sup> Howard Rheingold, “Collective Action is Not Collectivism,” *Smart Mobs*, June 2, 2006 <<http://www.smartmobs.com/2006/06/02/collective-action-is-not-collectivism/>>.

<sup>126</sup> Paul Hartzog, “Is Collective Action Collectivism?” *PaulBHartzog.org*, June 19, 2006 <<http://paulbhartzog.org/2006/06/19/is-collective-action-collectivism>>.



Digitally connected mobs will perform more and more services on a collective volunteer basis, from medicine to solving crimes, until all jobs are done that way.

But this “begs the question of how a person who is volunteering for the hive all day long will earn rent money. Will living space become something doled out by the hive?”<sup>127</sup> The likelihood, rather, is that “If we choose to pry culture away from capitalism while the rest of life is still capitalistic, culture will become a slum.”<sup>128</sup>

The solution, for those of us who see P2P as the nucleus for a new society, is to flush *all* of the artificial scarcity and subsidized waste out of the system, so that the costs of rent and health care are much lower, the embedded IP rents on manufactured goods disappear as a component of their price, etc., and the total amount of paid labor required to pay for goods governed by the price system falls precipitously.

In his obsession with the need for market power to enable pricing above marginal cost and guarantee payment, Lanier is—as we saw with Keen—Schumpeterian. But he takes it a step further: not only should the artist be able to find some way of monetizing his performances, but he should be guaranteed a reliable source of future revenue without ongoing labor. “[P]eople need to be secure that they’re earning their dignity and don’t need to sing for their supper every night.”<sup>129</sup> Oddly enough, though, the guy who works on an assembly line has to keep making widgets for his supper every day.

And I have to keep emptying bedpans at the hospital where I work to pay my bills. It’s only through the magic of copyright that a content creator can rest on his laurels and live off a one-hit wonder for the rest of his life.

## **Chris Hedges.**

As I mentioned above, it’s quite perverse that so many “progressives” see network culture as a Trojan horse for global corporate power—and yet, on the central issue of contention between network culture and corporate power, take their stand on the side of corporate power. This tendency can be found at its most egregious—and incoherent—in the writing of Chris Hedges.

The Internet has become one more tool hijacked by corporate interests to accelerate our cultural, political and economic decline. The great promise of the Internet, to open up dialogue, break down cultural barriers, promote democracy and unleash innovation and creativity, has been exposed as a scam. The Internet is dividing us into antagonistic clans, in which we chant the same slogans and hate the same enemies, while our creative work is handed for free to Web providers who use it as bait for advertising.

Ask journalists, photographers, musicians, cartoonists or artists what they think of the Web. Ask movie and film producers. Ask architects or engineers. The Web efficiently disseminates content, but it does not protect intellectual property rights. Writers and artists are increasingly unable to make a living. And technical professions are under heavy assault. Anything that can be digitized can and is being out-

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<sup>127</sup> Lanier, *You Are Not a Gadget*, p. 104.

<sup>128</sup> *Ibid.*, p. 87.

<sup>129</sup> Masnick, “Nina Paley vs. Jaron Lanier.”

sourced to countries such as India and China where wages are miserable and benefits nonexistent.<sup>130</sup>

So Hedges simultaneously accuses network culture of enabling the global corporate model of outsourcing production to low-wage countries—while defending the very “intellectual property” law which is the *linchpin* of this global corporate regime.

Reading Hedges’ complaint (derivative of Lanier’s “Lords of the Clouds” jeremiad) that corporate titans like Google make money by aggregating the work of cultural proletarians, you’d never guess that old-style proprietary content owners like the record companies are—gasp!—corporations.

## IV. Against Decentralized Production

The obverse of all conventional liberalism’s aesthetic affinities for organizational gigantism is an ingrained liberal distrust of any alternative to conventional managerial-professional ways of doing things. As James Weinstein put it, progressivism’s culture of “social engineering and social efficiency that grew up alongside of industrial engineering and efficiency” carried, along with it, “a disparagement of ‘irresponsible’ individualism and localism.”<sup>131</sup>

For example, liberal bloggers Bradford Plumer and Ezra Klein have challenged the totemistic status of small business, Mom-n-Pop, and Main Street in American political culture. When small businesses can afford to pay decent wages and benefits, they argue, more power to them. But in general, as Plumer writes, small businesses

tend to pay their workers less, offer fewer benefits, are much, much harder for unions to organize, and are often more dangerous places to work than large corporations. They’re rarely more innovative, and they aren’t the really the “motor” behind job growth in America—at least in manufacturing, a Federal Reserve Board study done in 1997 found that “net job creation... displays no systematic relationship to employer size,” and big firms tend to create more durable jobs, partly because they engage in more “planning,” that old socialist bugbear.<sup>132</sup>

Klein emphatically agreed: “This weird, unthinking, vestigial affection for a Jeffersonian economy is not only economically nonsensical, it’s simply not compatible with progressive goals.”<sup>133</sup>

(Remember that “rural Tories” remark from Woodrow Wilson?) His readership quickly chimed in with references to the “economies of scale” uniquely available to big business and to small businesses alleged inefficiency and inability to compete, and snide references to the “cheap labor conservatives” who run political interference for small business and the family farm.

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<sup>130</sup> Chris Hedges, “The Information Super-Sewer,” *Truthdig*, February 15, 2010 <[http://www.truthdig.com/report/item/the\\_information\\_super-sewer\\_20100214/P100/](http://www.truthdig.com/report/item/the_information_super-sewer_20100214/P100/)>.

<sup>131</sup> Weinstein, *The Corporate Ideal in the Liberal State*, xiv.

<sup>132</sup> Bradford Plumer, “Small Business Fetish,” *Bradford Plumer*, December 9, 2005 <<http://plumer.blogspot.com/2005/12/small-business-fetish.html>>.

<sup>133</sup> Ezra Klein, “Against Small Business,” *The American Prospect*, December 9, 2005 <[http://www.prospect.org/csnc/blogs/ezraklein\\_archive?month=12&year=2005&base\\_name=against\\_small\\_business](http://www.prospect.org/csnc/blogs/ezraklein_archive?month=12&year=2005&base_name=against_small_business)>.

More recently, Leo Hindery echoed Plumer's and Brad's assumptions regarding the superior efficiency of big business and its consequently being better suited to the needs of a "progressive" economy. Leo Hindery argued that a resurgence of the manufacturing sector to postwar Golden Age levels was necessary for an economy of high wages and benefits and job security, and made the further leap to arguing that this was only possible through an expansion of large manufacturing corporations:

To understand this point, for the first half of the last century, manufacturing constituted about 35% of the nation's GDP, and even after our GIs returned home from World War II and military production ceased, manufacturing in 1947 still made up 26% of GDP. And manufacturing never went below 21% until 1980, when it began its persistent decline to the relatively and absolutely low 12% level it stands at today. Of course with this decline millions of American jobs were shipped overseas, more than 6 million just since 2000.

No matter what the theory of 'comparative advantage' argues, America—with its very large population, wide geography, and great diversity—simply can't prosper with less than 12% of its GDP coming from manufacturing. If this sector again generated 20% of GDP, which can only occur through the (re)growth of large manufacturing businesses, 12 million more workers would be employed directly and, because of the very high multiplier effect of new manufacturing jobs, up to another 30 million new workers indirectly...

The simple truth is that there is no way on God's green earth to create 21.8 million new jobs without the massive involvement of 'big business', especially 'big manufacturing business', since fulfilling this task is the almost incomprehensible equivalent of having to create 140 new Boeing Companies or 90 new General Motors...

Big companies absolutely "know what to do", which is to expand and grow. It's in their DNA, and having run a number of them, I know that it's also what they want to do. But big companies—American and foreign alike—will never expand here in the U.S. in the face of wide-spread economic uncertainty or unreasonable obstacles, or when development opportunities overseas are significantly more beckoning.

The introduction of new, and the resurgence of existing, big companies represent the only meaningful medium-term opportunity to create the bulk of the tens of millions of new jobs we need right now in America.<sup>134</sup>

Hindery completely misses the fundamental significance of what's actually been taking place with manufacturing technology in recent years. Innovations in cheap, general-purpose CNC machinery mean that manufacturing no longer requires the kind of expensive, specialized machinery that only giant corporations can afford. What we're seeing is a reversal of the process that led to the factory system in the first place: a shift from expensive machinery and the resulting system of wage employment in factories, to tools that are affordable for individuals and small groups.

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<sup>134</sup> Leo Hindery, Jr., "When Two Progressives Disagree on How to Create Jobs," *Huffington Post*, April 13, 2010 <[http://www.huffingtonpost.com/leo-hindery-jr/when-two-progressives-dis\\_b\\_535367.html](http://www.huffingtonpost.com/leo-hindery-jr/when-two-progressives-dis_b_535367.html)>

Eric Husman, of GrimReader blog, summarized the conventional liberal position, as exemplified by Plumer and Klein, this way: “It’s not that they are against Small Business, it’s just that they are in favor of those things that characterize Big Business. Returns to Scale? Check. Market power? Check.

Bureaucratic and unionized? Check? Okay, you are an acceptable small business!”<sup>135</sup>

We’ve already considered Thomas Frank’s tendency to substitute lazy juxtapositions for actual arguments: because corporate globalization is often packaged in the language of technoutopianism, it follows (for Frank) that anyone who celebrates the network revolution is a shill for neoliberalism. And because most celebrations of flexible manufacturing and critiques of Taylorist bureaucracy are associated in the popular media with corporate shills like Tom Peters, likewise, it follows that any positive talk about decentralized production (“the superiority of nineties-style flexible production to the regimented management techniques of the past”<sup>136</sup> is just camouflage for Nike’s and Wal-Mart’s attempt to buy out the world. The simple scare quote is sufficient: “What further need have we of witnesses? He convicts himself out of his own mouth.”

When Frank actually does acknowledge that there’s a left wing to the flexible manufacturing movement, he suggests—misleadingly—that comparatively mainstream and corporate-friendly figures like Kevin Kelly are at the radical fringe of it:

This is not to say that Kelley, the confirmed counterculturist, was acting as a shill for the great bankers and small-town merchants whose ideological position he seemed to have adopted. Heaven forbid! In fact, and along with many other market populists of the decade, he vigorously shook his fist at the hierarchical corporate powers of the world and declared that the networking logic of nature (and of the market) would “truly revolutionize almost every business.” What Kelly meant by “revolution,” though, was not common ownership or even a more democratic distribution of wealth, but an increasing reliance on “outsourcing” by companies that had figured out they no longer required a massive, vertically integrated operation. Why anyone other than shareholders should celebrate this development... is not discussed: Kelly seems to find the simple fact of decentralized production mind-bogglingly cool, tantalizing readers with the tale of one company buying its parts from another company, and then hiring someone else to do its advertising.<sup>137</sup>

Global corporations have, indeed, tried to domesticate and co-opt the revolution in decentralized manufacturing technology, to decentralize the production process itself while keeping it within a corporate framework of marketing and finance and using “intellectual property” to capitalize it as a source of rents. People like Tom Peters and the other business gurus of the ‘90s are their house propagandists.

Companies could reengineer themselves; entire industries could delayer down to the essential core; whole workforces could be cut loose, chopped down into “units of one,” but the brand remained solid and unyielding despite it all.<sup>138</sup>

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<sup>135</sup> Eric Husman, “Case Against Small Business?” *GrimReader*, April 7, 2010 <<http://www.zianet.com/ehusman/weblog/2010/04/case-against-small-business.html>>.

<sup>136</sup> Frank, *One Market Under God*, p. 19.

<sup>137</sup> *Ibid.*, p. 58.

<sup>138</sup> *Ibid.*, p. 252.

But from reading Frank—again—you’d never guess that there’s a micromanufacturing movement whose aim is, in fact, eliminating rents on artificial scarcity and artificial property rights like patents as a source of concentrated wealth, and achieving widely distributed ownership of the means of production by ordinary people. For these people, “decentralized production” doesn’t mean outsourcing to a job-shop in Shenzhen, which produces goods on contract to a Western TNC to be sent by container ship to a Wal-Mart in Peoria; it means a consumer in Peoria selects a toaster or recliner from a range of freely available, open-source product designs, to be produced on demand by a garage factory full of sophisticated (and affordable) CNC machinery in his own neighborhood—free from the entire portion of price constituted by brand-name markup, embedded rents on “intellectual property,” mass-marketing costs, and long-distance shipping in the price of goods at Wal-Mart. These people don’t just want to outsource production within a corporate framework. They want to eliminate the corporate headquarters and the shareholders, and democratize control of production itself to a relocalized economy of self-employed craftspeople who can afford their own production machinery. They seek, in short, “a more democratic distribution of wealth.”

As described by Johann Soderberg, the rise of flexible manufacturing networks presents a very real danger to capital: “*Since all points of production have been transformed into potentially redundant nodes of a network, capital as a factor of production in the network has itself become a node subject to redundancy.*”<sup>139</sup> David Pollard outlined a plausible scenario at greater length:

In the early 2000s, large corporations that were once hierarchical end-to-end business enterprises began shedding everything that was not deemed core competency, in some cases to the point where the only things left were business acumen, market knowledge, experience, decision-making ability, brand name, and aggregation skills. This ‘hollowing out’ allowed multinationals to achieve enormous leverage and margin. It also made them enormously vulnerable and potentially dispensable.

As outsourcing accelerated, some small companies discovered how to exploit this very vulnerability. When, for example, they identified North American manufacturers outsourcing domestic production to third world plants in the interest of ‘increasing productivity’, they went directly to the third world manufacturers, offered them a bit more, and then went directly to the North American retailers, and offered to charge them less. The expensive outsourcers quickly found themselves unnecessary middlemen. Now in 2015, the result is what Doc Searls and Dave Weinberger, two Internet experts, have called a World of Ends — which in its business application means a disintermediated world where specialized businesses contract directly with each other to bring the benefits of globalization and the free market to consumers. The large corporations, having shed everything they thought was non ‘core competency’, learned to their chagrin that in the connected, information economy, the value of their core competency was much less than the inflated value of their stock, and they have lost much of their market share to new federations of small entrepreneurial businesses.<sup>140</sup>

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<sup>139</sup> Johann Soderberg, *Hacking Capitalism: The Free and Open Source Software Movement* (New York and London: Routledge, 2008), pp. 141–142.

<sup>140</sup> David Pollard, “The Future of Business,” *How to Save the World*, January 14, 2004 <<http://howtosavetheworld.ca/2004/01/14/the-future-of-business/>>.

Just as Thomas Frank treats the network revolution as the entering wedge for Dick Arme and Tom Delay, the instinctive tendency among conventional liberals is to equate garage factories to “sweatshops.” A good example is Joel Johnson’s take on micromanufacturing. In reaction to Chris Anderson’s celebration of garage manufacturing, *Making and the DIY culture*<sup>141</sup>, Johnson writes: “Chris Anderson has an important message from the future: Did you know you can outsource manufacturing?”<sup>142</sup> The brunt of his criticism is directed to Anderson’s (admittedly unfortunate) conflation of production in garage job-shops with outsourcing to China:

Those PCBs are made by human beings in factories. Factories that are at the best of times less than cushy, populated by workers without a union.

To marvel that you can convince a Chinese company to make a small batch of electronics for you? In many cases, that’s when conditions are worst...

Using the web to communicate with Chinese factories is an improvement...over the fax machine. But the real revolution is that it only costs a few bucks to ship a part from Shenzhen to Sunnyvale. You want to talk revolution? Thank FedEx.

A helpful comment by “Gelatinous” under Anderson’s article states an objection in terms similar to Johnson’s:

Chris Anderson, why are you so gleeful... in your drive to the total elimination of the middle class? Is that really what you want? A world full of grunts who make worthless crap “designed” by over-educated, tech-savvy, workaholic entrepreneurs? Did you forget that people need to be able to BUY your garbage (oh wait, that’s right, it’s all going to be FREE)? Who exactly is going to PAY for stuff in your slaves-and-masters economy?

Youtube, blogging, and all the other Web 2.0 horse manure has made a lot of money for a tiny elite.

Don’t expect this manufacturing “paradigm shift” to do anything different. DO expect it to leave thousands (maybe millions) jobless or not even scraping by, working godly hours for less than minimum wage in chemically toxic sweatshops.

Welcome to the next “The Jungle”, brought to you by the technocrats’ “next Industrial Revolution”.

As I say, Anderson’s own breathless celebration of Chinese job shops is unfortunate. He treats globalized supply chains, which are in fact a passing and accidental phenomenon, as an essential part of the decentralized manufacturing revolution. And Johnson is correct that outsourcing to job-shops with general-purpose machinery isn’t exactly new. But in both cases, this misses the point.

The shift toward flexible, networked manufacturing in job-shops using craft methods is an old trend (Sabel and Piore describe it in *The Second Industrial Divide*), true enough. But the underlying technological trend on which that shift has depended—the radical cheapening of CNC

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<sup>141</sup> Chris Anderson, “In the Next Industrial Revolution, Atoms are the New Bits,” *Wired*, January 25, 2010 <[http://www.wired.com/magazine/2010/01/ff\\_newrevolution/all/1](http://www.wired.com/magazine/2010/01/ff_newrevolution/all/1)>.

<sup>142</sup> Joel Johnson, “Atoms Are Not Bits; Wired Is Not A Business Magazine,” *Gizmodo*, January 26, 2010 <<http://gizmodo.com/5457461/atoms-are-not-bits-wired-is-not-a-business-magazine>>.

machine tools—is continuing to develop exponentially. It’s technically true that “[t]he future of mainstream industry remains about the same as it’s been for the last thirty years.” But the trend over the past thirty years, as described by Sabel and Piore thirty years ago, has been a fundamental departure from the mass-production model that existed before: toward networked craft production with general-purpose CNC machine tools that are becoming cheaper by the year.

And while outsourcing to China is the predominant form decentralized/network production has taken, as it’s been coopted into the existing corporate framework, that’s entirely accidental to the essence of the phenomenon.

What matters is that general purpose machinery for flexible production is cheapening exponentially, becoming increasingly affordable by almost anyone, and that the main economic rationale for the mass-production factory is accordingly eroding. The technical basis for “economies of scale” associated with extremely expensive, product-specific machinery is becoming less and less relevant to a larger and larger share of the things we consume. The cheapening of production machinery will eventually eat the outsourced Chinese producers as it’s eating old-line American mass-production industry. What’s done in job-shops in Shenzhen can be done as well in networked local economies of garage factories in the United States—and will be, when Peak Oil destroys the entire “warehouses on container ships” industrial model.

## V. Against Informal Production

Concurrent with the conventional liberal model of industrial organization there is, in every aspect of life, a managerial-professional priesthood controlling the range of services available and reducing the average person to client status. Mainstream liberalism extends beyond a Schumpeterian affinity for large organizations to an affinity for the professionalization of every aspect of life even in the realm of individual exchange and social relations. As with large-scale organization, the affinity seems to a considerable extent to be aesthetic: regulation and licensing—*any* regulation, *any* form of licensing, *as such*—is “progressive,” and any opposition to it is “right-wing.”

One can get a feel for the prevailing liberal attitude toward the near-universal beneficence of licensing and regulation simply by observing the reader response to any of liberal blogger Matthew Yglesias’ posts expressing mild skepticism to licensing, zoning or regulation. The time lapse can usually be measured in nanoseconds from Yglesias clicking “Publish” to the first commenter allusion to Upton Sinclair or taunt that “You wouldn’t let an unlicensed brain surgeon operate on you, would you?”

Part of the problem is a predisposition to believe that anything called a regulation in fact does what its official title suggests. The primary purpose served by (say) licensing of plumbers is to guarantee some minimal level of competence and training for plumbers; it follows that anyone who questions the benefits of the licensing regime must be in favor of having their pipes repaired by the untrained and incompetent.<sup>143</sup> But as Yglesias points out, occupational licensing no more serves the primary purpose of guaranteeing some level of quality than the “right to work law” guarantees a right to work: “the rules don’t typically require a license *to do the plumbing*.”

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<sup>143</sup> This is accompanied among some 51% of self-identified “progressives,” according to a Zogby poll, with the denial that occupational licensing tends to raise the cost professional services. Zeljka Buturovic and Daniel B. Klein, “Economic Enlightenment in Relation to College-going, Ideology, and Other Variables: A Zogby Survey of Americans” *Econ Journal Watch* (May 2010) <<http://econjwatch.org/articles/economic-enlightenment-in-relation-to-college-going-ideology-and-other-variables-a-zogby-survey-of-americans>>.

The New York City code, for example, specifies that “[o]nly licensed master plumbers and their employees may perform plumbing work in New York City. “ The real effect, therefore, is clear:

From a consumer point of view, there’s no guarantee that your work will be done by a licensed plumber, so it clearly can’t be the case that we need this rule in order to ensure that work is up to licensed plumber standards. Rather, effect of the law is to ensure that there’s a certain set of people who are perfectly qualified to perform a range of plumbing-related tasks but can’t legally perform those tasks without giving a licensed master plumber a piece of the action.<sup>144</sup>

The responses from Yglesias’ predominantly liberal readership included “libertarian claptrap,” “bullshit libertarian tripe” and “barking Milton Friedmanite deregulatory fervor.”

As one commenter pointed out, plumbing ostensibly works on an apprenticeship system, where the apprentice works under the supervision of a licensed plumber who checks off on his work.<sup>145</sup> But in practice, most such “supervision” by skilled practitioners translates into the “master” briefly visiting each of several building sites, or translating his expertise by osmosis to the worker who actually makes the house call (but is “supervised” by virtue of working out of the same office building where the master plumber gets his mail). I’ve lost count of the number of times I’ve visited a clinic and been seen by a nurse practitioner without ever laying eyes on an M.D. As Yglesias puts it so eloquently, the primary effect of the “supervision” is that the “licensed professional” or “master tradesman” gets a piece of the action for allowing the person who actually does the work access to the market.

One point frequently brought up by Yglesias’ critics is liability insurance or bonding. The criticism implies that licensing is the only way for verifying those things, or verifying the general competency of a practitioner.

Why would I care if, by suing the incompetent plumber, I could put him out of business? How will that replace the books that I’ve owned for 30 years, that are OP and can’t be purchased anymore?...

...But, probably most adults have had the bad experience of hiring someone’s brother-in-law or cousin for a project and getting what they paid for. After that experience, the significance of the words “licensed and bonded” is delivered as a home truth.<sup>146</sup>

Licensing is not only tantamount to a certification of quality and competence, but its absence precludes any other means of assurance about those things. Indeed, one commenter specifically equated Yglesias’ position to the advocacy of practice by “people who don’t know anything about plumbing.”

But it is by no means obvious that one can get better information regarding the consistent quality of a practitioner’s work from the bare fact of their having met the minimum standards for a license, as opposed to examining reputational systems like Angie’s List or RateMyDoctor.

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<sup>144</sup> Matthew Yglesias, “More on Licensing,” *Matthew Yglesias*, October 21, 2008 <[http://yglesias.thinkprogress.org/archives/2008/10/more\\_on\\_licensing.php](http://yglesias.thinkprogress.org/archives/2008/10/more_on_licensing.php)>.

<sup>145</sup> Comment by dana under *Ibid*.

<sup>146</sup> Comment by Michael Powe under *Ibid*.



As Yglesias himself pointed out, “if I needed to hire a plumber, I’d probably look for a recommendation. I don’t have any real confidence that these licensing schemes are tracking quality in any meaningful way...”<sup>147</sup>

Such arguments also ignore the possibility of markets in more conventional forms of certification, with a competitive advantage accruing to a plumber affiliated with this guild or certified by that agency.

If anything, board certification and licensing creates a misleading impression. For example, doctors are in fact rarely deprived of their licenses as a result of malpractice, because licensing boards are all about minimizing political hassle. Licensing boards are hesitant to pull a license because of the financial consequences to the sanctioned doctor. Disciplinary actions, when they occur, rarely involve “improper or negligent care,” but instead focus on criminal issues like “inappropriate prescription of controlled substances.” Licensing bodies also attempt to reduce their workload and minimize the high cost of hearings by entering into voluntary settlements for lesser offenses that don’t require finding the physician guilty of negligent care, and that leave no public record of the actual nature of the investigation. Potential malpractice liability and reputational mechanisms like patient word of mouth provide far stronger incentives than the toothless licensing system.<sup>148</sup> The main effect of the licensing system, arguably, is to create a misplaced sense of confidence in the capabilities of a “board-licensed” physician.

Marc T. Law and Sukkoo Kim argue that modern licensing regimes arose in the Progressive Era, not primarily for public choice reasons like erecting entry barriers, but because of information asymmetry: increases in specialization made it harder for consumers to judge the quality of services.<sup>149</sup> But network technology, with the possibilities it is creating for horizontal reputational mechanisms, is having a revolutionary effect in making complexity manageable and reversing much of the trend toward information asymmetry.

James Scott’s concept of “legibility,” in *Seeing Like a State*, is relevant here. There is a fundamental divide between those who focus on horizontal legibility via networked reputational mechanisms, and vertical legibility based on certification by some superior central authority. The choice is between social organizations that are primarily “legible” to the state, and social organizations that are primary legible or transparent to the people of local communities organized horizontally and opaque to the state.<sup>150</sup>

The latter kind of architecture, as described by Kropotkin, was what prevailed in the networked free towns and villages of late medieval Europe. The primary pattern of social organization was horizontal (guilds, etc.), with quality certification and reputational functions aimed mainly at making individuals’ reliability transparent to one another. To the state, such local formations were opaque.

With the rise of the absolute state, the primary focus shifted to making society transparent (in Scott’s terminology “legible”) from above, and horizontal transparency was at best tolerated. Things like the systematic adoption of family surnames that were stable across generations (and

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<sup>147</sup> Yglesias, “Plumber Licensing,” *Matthew Yglesias*, October 16, 2008 <[http://yglesias.thinkprogress.org/archives/2008/10/plumber\\_licensing.php](http://yglesias.thinkprogress.org/archives/2008/10/plumber_licensing.php)>.

<sup>148</sup> Michael F. Cannon and Michael Tanner, *Healthy Competition: What’s Holding Back Health Care and How to Free It* (Washington, D.C.: The Cato Institute, 2005), p. 137.

<sup>149</sup> Marc T. Law and Sukkoo Kim, “Specialization and Regulation: The Rise of Professionals and the Emergence of Occupational Licensing Regulation,” *The Journal of Economic History*, Vol. 35 No. 3 (September 2005).

<sup>150</sup> James Scott, *Seeing Like a State* (New Haven and London: Yale University Press, 1998).

the 20<sup>th</sup> century followup of citizen ID numbers), the systematic mapping of urban addresses for postal service, etc., were all for the purpose of making society transparent to the state. To put it crudely, the state wants to keep track of where its stuff is, same as we do—and we're its stuff.

Before this transformation, for example, surnames existed mainly for the convenience of people in local communities, so they could tell each other apart. Surnames were adopted on an ad hoc basis for clarification, when there was some danger of confusion, and rarely continued from one generation to the next. If there were multiple Johns in a village, they might be distinguished by trade ("John the Miller"), location ("John of the Hill"), patronymic ("John Richard's Son"), etc. By contrast, everywhere there have been family surnames with cross-generational continuity, they have been imposed by centralized states as a way of cataloging and tracking the population—making it legible to the state, in Scott's terminology.<sup>151</sup>

To accomplish a shift back to horizontal transparency, it will be necessary to overcome a powerful residual cultural habit, among the general public, of thinking of such things through the mind's eye of the state. E.g., if "we" didn't have some way of verifying compliance with this regulation or that, some business somewhere might be "allowed" to do something or other. We must overcome six hundred years or so of almost inbred habits of thought, by which the state is the all-seeing guardian of society protecting us from the possibility that someone, somewhere might do something wrong if "the authorities" don't prevent it.

In place of this habit of thought, we must think instead of ourselves creating mechanisms on a networked basis, to make us as transparent as possible to each other as providers of goods and services, to prevent businesses from getting away with poor behavior by informing each other, to prevent *each other* from selling defective merchandise, to protect ourselves from fraud, etc. In fact, the creation of such mechanisms—far from making us transparent to the regulatory state—may well require active measures to render us opaque to the state (e.g. encryption, darknets, etc.) for protection *against* attempts to suppress such local economic self-organization against the interests of corporate actors.

In other words, we need to lose the centuries-long habit of thinking of "society" as a hub-and-spoke mechanism and viewing the world from the perspective of the hub, and instead think of it as a horizontal network in which we visualize things from the perspective of individual nodes. We need to lose the habit of thought by which transparency from above ever even became perceived as an issue in the first place.

The conventional liberal attitude towards regulation and licensing of services extends to a general aversion to the organization of services of any kind on a basis other than provision by licensed professionals or through a social services bureaucracy. The general attitude, which may be fairly accurately characterized by an inversion of Andrew Keen—cult of the professional—was described quite effectively by Ivan Illich:

Many students... intuitively know what the schools do for them. They school them to confuse process and substance. Once these become blurred, a new logic is assumed: the more treatment there is, the better are the results... The pupil is thereby "schooled" to confuse teaching with learning, grade advancement with education, a diploma with competence, and fluency with the ability to say something new. His imagination is "schooled" to accept service in place of value... Health, learning, dig-

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<sup>151</sup> *Ibid.*, pp. 64–73.

nity, independence, and creative endeavor are defined as little more than the performance of the institutions which claim to serve these ends, and their improvement is made to depend on allocating more resources to the management of hospitals, schools, and other agencies in question...

[Schools teach the student to] view doctoring oneself as irresponsible, learning on one's own as unreliable and community organization, when not paid for by those in authority, as a form of aggression or subversion... [R]eliance on institutional treatment renders independent accomplishment suspect...<sup>152</sup>

The hidden curriculum teaches all children that economically valuable knowledge is the result of professional teaching and that social entitlements depend on the rank achieved in a bureaucratic process.<sup>153</sup>

Liberals like Keith Olbermann not only routinely mock conservative exhortations to charity and self-help, but (much like Thomas Frank), leap from thence to the astonishing conclusion that because such exhortations are popular among Republicans, advocacy of decentralized self-help networks is reactionary as such.

But more fundamentally, decentralism and voluntary self-organization offend their aesthetic sensibilities. They are commonly forced to reach for the shitkicking imagery of the nineteenth century barnraiser for want of any other comparison sufficient to get across just how backward and contemptible that kind of thing really is. Helping your neighbor out directly, or participating in a local self-organized friendly society or mutual, is all right in its own way, if nothing else is available. But it carries the inescapable taint of the provincial and the bucolic—very much like the image of homemade bread and home-grown veggies fostered by pro-mass consumption corporate propaganda in the early twentieth century, as a matter of fact. People who help each other out, or organize voluntarily to pool risks and costs, are to be praised—grudgingly and with a hint of condescension—for doing the best they can in an era of relentlessly downscaled social services. But that people are forced to resort to such hayseed expedients, rather than meeting all their social safety net needs through one-stop shopping at the Ministry of Central Services office in a giant monumental building with a statue of winged victory in the lobby, a la *Brazil*, is a damning indictment of any civilized society. The progressive society is a society of comfortable and well-fed citizens, competently managed by properly credentialed authorities, happily milling about like ants in the shadows of mile-high buildings that look like they were designed by Albert Speer. And that kind of H.G. Wells utopia simply has no room for the barn-raiser or the sick benefit society.

Aesthetic sensibilities aside, such critics are no doubt motivated to some extent by genuine concern that networked reputational and certifying mechanisms just won't take up the slack left by the disappearance of the regulatory state. Things like *Consumer Reports*, Angie's List and the Better Business Bureau are all well and good, for educated people like themselves who have the sense and know-how to check around. But Joe Sixpack, God love him, will surely just go out and buy magic beans from the first disreputable salesman he encounters—and then likely put them right up his nose.

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<sup>152</sup> Ivan Illich, *Tools for Conviviality* (New York, Evanston, San Francisco, London: Harper & Row, 1973)Chapter One.

<sup>153</sup> Illich, "After Deschooling, What?" in Alan Gartner, Colin Greer, Frank Riessman, eds., *After Deschooling, What?* (N.Y., Evanston, San Francisco, London: Harper & Row, 1973), p. 9.

The conventional liberal attitudes towards licensing also fit in with our general theme of Schumpeterianism, to the extent that “licensed professionals” are enabled by entry barriers to charge sufficient prices to perform certain “progressive” social roles. As one commenter under Yglesias’ post on the licensing of plumbers argued:

The problem is that when you don’t have any licensing for skilled positions you have a glut of weekend warriors who drive the price down and put professionals out of business—and that eventually lowers quality. I knew a guy who had his own landscaping business but gave it up because there were too many people with a John Deere who would do stuff for absurdly low rates because it was only a hobby for them. When it came to doing actually skilled work, of course, they sucked at it—but people want to believe they can get quality work without paying for it. So they go with an unskilled cheap guy and the actual professional suffers.<sup>154</sup>

matt – it’s nice to know that you are concerned about people earning a living wage. a licensed plumber in Oregon is registered with the state, is bonded, has liability insurance, has to pay his people a fair wage, and has to cover them with workman’s compensation insurance. The argument of preventing a certain number of people from earning a living wage and raising the cost of plumbing is often sounded by right wing republicans when they assail unions, and union members. In reality unlicensed plumbers tear down the living wage.<sup>155</sup>

So in effect you have two alternative economic models. One is to eliminate artificial scarcities and sources of inflated overhead cost from the economy, and make it possible to meet our needs with progressively fewer work hours because a growing share of all the goods and services we consume are produced either outside the cash nexus or in microenterprises in the informal and household economy operating on minimal overhead cost. The other is to impose sufficient artificial overhead costs and scarcity rents on production that only a limited number of privileged actors are allowed access to the means of production, but they’re big enough and rich enough to afford to keep everyone employed full-time; meanwhile, everyone works several times as many hours as the technical possibilities of production actually require to produce the stuff they consume, in order to earn enough money to pay the inflated scarcity rents and overhead costs. But at least everyone has a “job,” even if most work is the moral equivalent of superfluous steps in a Rube Goldberg device or digging a hole and filling it back in, and most forms of value creation are the equivalent of retained fluid in an edematous human body.

## Conclusion

The real question centers on the view we take of human nature. Are the majority of human beings too incompetent and irresponsible to achieve a social safety net or mechanisms for certifying the quality and safety of those they do business with by voluntary networked means, even when there are no technical barriers to doing so? Is a class of benevolent, professionally trained overseers necessary to overcome the carelessness and improvidence of the average person? Or

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<sup>154</sup> Freddie comment under Yglesias, “Plumber Licensing.”

<sup>155</sup> kevin comment under *Ibid.*

can people be trusted to know their own best interests, and cooperate with others to achieve them?

Establishment liberalism views the latter assumption as based on a naively optimistic view of human nature. But conventional liberalism is at least as vulnerable to the same criticism. We anarchists believe in people's knowledge of their own interests, and their ability to cooperate and otherwise behave rationally, as the main defense against opportunism and fraud. Those who oppose us must trust not only in the ability of "properly qualified authorities" to know our interests better than we do—they must also trust those authorities not to exploit their own authority opportunistically. They must believe, against the overwhelming weight of historical evidence, that "all of us together" can act through large organizations in our own interests, rather than being managed by them in the interests of those who actually run them. It's a classic example of the "Quis custodiet ipsos custodes?" problem: who will watch the watchers?

Conventional liberalism's achilles heel is its own belief, rooted in its history and class origins, that immaculate and apolitical expertise are possible, and that "disinterested experts" are somehow uniquely free from guile and opportunism.

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Center for a Stateless Society Paper No. 9 (Second Quarter 2010)

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