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Here's a great post from a bit more than a year ago at Anomalous Presumptions (2007-02-26), which I just got around to reading:

> I was responding to this key point:
>
> > [P]eer production isn't an assault on the principles of a free society, but an extension of those principles to aspects of human life that don't directly involve money. ….
> >
> > [A] lot of the intellectual tools that libertarians use to analyze markets apply equally well to other, non-monetary forms of decentralized coordination. It's a shame that some libertarians see open source software, Wikipedia, and other peer-produced wealth as a threat to the free market rather than a natural complement.

Since peer production is an entirely voluntary activity it seems strange to view it as a threat to the free market. (My interlocutors in the comments demonstrated that this view of peer production is alive and well, at least in some minds.) So how could this opinion arise? And does it indicate some deeper issue?

I think viewing peer production as a threat is a symptom of an underlying issue with huge long-term consequences: **In peer production, the interests of capitalists and entrepreneurs are no longer aligned.**

…

For example, Linus Torvalds is a great entrepreneur, and his management of the Linux community has been a key factor in the success of Linux. Success to an entrepreneur is coordinating social activity to create a new, self-sustaining social process. Entrepreneurship is essential to peer production, and successful entrepreneurs become rock stars in the peer production world.

A capitalist, by contrast, wants to get a return on something they own, such as money, a domain name, a patent, or a catalog of copyrighted works. A pure capitalist wants to maximize their return while minimizing the complexity of their actual business; in a pure capitalist scenario, coordination, production and thus entrepreneurship is overhead. Ideally, as a pure capitalist you just get income on an asset without having to manage a business.

The problem for capitalists in peer production is that typically there is no way to get a return

their way through the thickets of intellectual property. Small entrepreneurs are limited to clearings where they can hope to avoid IP problems.

Conclusion

Historically many benefits of entrepreneurship have been used to justify capitalism. However, we are beginning to see that in some cases we can have the benefits of a free market and entrepreneurship, while avoiding the social costs imposed by ensuring returns to property owners. The current battles over intellectual property rights are just the beginning of a much larger conflict about how to handle a broad shift from centralized, high capital production to decentralized, low capital production.

— Jed Harris, Anomalous Presumptions (2007-02-26): Capitalists vs. Entrepreneurs

The DMCA was drafted and lobbied into existence by companies who wanted the government to help them extract money from consumers, with essentially no innovation on their part, and probably negative net social value. In almost every case, the DMCA advocates are not the people who created the copyrighted works that generate the revenue; instead they own the distribution systems that got those works to consumers, and they want to control any future distribution networks.

The DMCA hurts people who want to create new, more efficient modes of distribution, new artistic genres, new delivery devices, etc. In general it hurts entrepreneurs. However it helps some copyright owners get a return on their assets.

The consequences of patents and other IP protection are more mixed, but in many cases they inhibit innovation and entrepreneurship. Certainly patent trolls are an extremely clear example of the conflict — they buy patents not to produce anything, but to sue others who do produce something. Submarine patents (like the claimed patents on MP3 that just surfaced) are another example—a patent owner waits until a technology has been widely adopted (due to the work of others) and then asserts the right to skim revenue from ongoing use.

…

All of these issues, and other similar ones, make it harder for small companies, individuals and peer production projects to contribute innovation and entrepreneurship. Large companies with lawyers, lobbyists, and defensive patent portfolios can fight

on ownership. Linus Torvalds doesn't own the Linux source code, Jimmy Wales doesn't own the text of Wikipedia, etc. These are not just an incidental facts, they are at the core of the social phenomenon of peer production. A capitalist may benefit indirectly, for a while, from peer production, but the whole trend of the process is against returns on ownership per se.

Profit

Historically, entrepreneurship is associated with creating a profitable enterprise. In peer production, the idea of profit also splits into two concepts that are fairly independent, and are sometimes opposed to each other.

The classical idea of profit is monetary and is closely associated with the rate of (monetary) return on assets. This is obviously very much aligned with capitalist incentives. Entrepreneurs operating within this scenario create something valuable (typically a new business), own at least a large share of it, and profit from their return on the business as an asset.

The peer production equivalent of profit is creating a self-sustaining social entity that delivers value to participants. Typically the means are the same as those used by any classical entrepreneur: creating a product, publicizing the product, recruiting contributors, acquiring resources, generating support from larger organizations (legal, political, and sometimes financial), etc.

Before widespread peer production, the entrepreneur's and capitalist's definitions of success were typically congruent, because growing a

> business required capital, and gaining access to capital required providing a competitive return. So classical profit was usually required to build a self-sustaining business entity.
>
> The change that enables widespread peer production is that today, an entity can become self-sustaining, and even grow explosively, with very small amounts of capital. As a result it doesn't need to trade ownership for capital, and so it doesn't need to provide any return on investment.
>
> As others have noted, peer production is not new. The people who created educational institutions, social movements, scientific societies, etc. in the past were often entrepreneurs in the sense that I'm using here, and in their case as well, the definition of success was to create a self-sustaining entity, even though it often had no owners, and usually produced no profit in the classical sense.
>
> — Jed Harris, Anomalous Presumptions (2007-02-26): Capitalists vs. Entrepreneurs

The only thing that I would want to add here is that it's not just a matter of projects being able to expand or sustain themselves with little capital (although that is a factor). It's also a matter of the way in which both emerging distributed technologies in general, and peer production projects in particular, facilitate *the aggregation of dispersed capital* — without it having to pass through a single capitalist chokepoint, like a commercial bank or a venture capital fund. Because of the way that peer production projects distribute and amortize their costs of operation, entrepreneurs can afford to bypass existing financial operators and go directly to people with $20 or $50 to give away and take the money in in small donations, because they no

longer need to get multimillion dollar cash infusions all at once just to keep themselves running: the peer production model allows greater flexibility by dispersing fixed costs among many peers (and allowing new entrepreneurs to easily step in and take over the project, if one has to bow out due to the pressures imposed by fixed costs), rather than by concentrating them into the bottom line of a single, precarious legal entity. Meanwhile, because of the way that peer production projects distribute their labor, peer-production entrepreneurs can also take advantage of spare cycles on existing, widely-distributed capital goods — tools like computers, facilities like offices and houses, software, etc. which contributors own, which they still would have owned personally or professionally whether or not they were contributing to the peer production project, and which can be put to use as a direct contribution of a small amount of fractional shares of capital goods directly to the peer production project. So it's not just a matter of cutting total aggregate costs for capital goods (although that's an important element); it's also, importantly, a matter of new models of *aggregating the capital goods* to meet whatever costs you may have, so that small bits of available capital can be rounded up without the intervention of money-men and other intermediaries.

The article also has an excellent coda on the way that Intellectual Protectionism threatens to give a government-backed prop to lingering capitalistic modes of production, by hobbling the emergence of entrepreneurial peer production based competition:

> The conflicting incentives of entrepreneurs and capitalists come into sharp focus around questions of intellectual property. One commenter complained about open source advocates' attacks on software patents, … the DMCA and … IP firms. These are all great examples of the divergence between ownership and entrepreneurship.