

# **Free Market Reforms and the Reduction of Statism**

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Objectivist scholar Chris Sciabarra, in his brilliant book *Total Freedom*, called for a “dialectical libertarianism.” By dialectical analysis, Sciabarra means to “grasp the nature of a part by viewing it systemically — that is, as an extension of the system within which it is embedded.” Individual parts receive their character from the whole of which they are a part, and from their function within that whole.

This means it is a mistake to consider any particular form of state intervention in isolation, without regard to the role it plays in the overall system. (See Sciabarra’s “Dialectics and Liberty, *The Freeman*, September 2005.)

Another libertarian, blogger Arthur Silber, contrasts dialectical libertarianism with what he calls “atomistic libertarianism,” whose approach is to “focus on the basic principles involved, but with scant (or no) attention paid to the overall context in which the principles are being analyzed. In this manner, this approach treats principles like Plato’s Forms. . . .” Atomistic libertarians argue “as if the society in which one lives is completely irrelevant to an analysis of any problem at all.”

To determine the function a particular form of state intervention serves in the structure of state power, we must first ask what has been the historical objective of the state. This is where libertarian class analysis comes in.

The single greatest work I’m aware of on libertarian class theory is Roderick Long’s article, “Toward a Libertarian Theory of Class” (*Social Philosophy & Policy*, Summer 1998). Long categorizes ruling-class theories as either “statocratic” or “plutocratic,” based on the respective emphasis they place on the state apparatus and the plutocracy (the wealthy “private-sector” beneficiaries of government intervention) as components of the ruling class.

The default tendency in mainstream libertarianism is a high degree of statocracy, to the point not only of (quite properly) emphasizing the necessary role of state coercion in *enabling* “legal plunder” (Frédéric Bastiat’s term) by the plutocracy, but of downplaying the significance of the plutocracy even as *beneficiaries* of statism. This means treating the class interests associated with the state as ad hoc and fortuitous. Although statocratic theory treats the state (in Franz Oppenheimer’s phrase) as the organized political means to wealth, it still tends to view government as merely serving the exploitative interests of whatever assortment of political factions happens to control it at any given time. This picture of how the state works does not require any organic relation between the various interest groups controlling it at any time, or between them and the state. It might be controlled by a disparate array of interest groups, including licensed professionals, rent-seeking corporations, farmers, regulated utilities, and big labor; the only thing they have in common is that they happen to be currently the best at latching onto the state.

Murray Rothbard’s position was far different. Rothbard, Long argues, saw the state as controlled by “a primary group that has achieved a position of structural hegemony, a group central to class consolidation and crisis in contemporary political economy. Rothbard’s approach to this problem is, in fact, highly dialectical in its comprehension of the historical, political, economic, and social dynamics of class.”

I have argued in the past that the corporate economy is so closely bound up with the power of the state, that it makes more sense to think of the corporate ruling class as a *component* of the state, in the same way that landlords were a component of the state under the Old Regime. Blogger Brad Spangler used the analogy of a gunman and bagman to illustrate the relationship:

Let’s postulate two sorts of robbery scenarios.

In one, a lone robber points a gun at you and takes your cash. All libertarians would recognize this as a micro-example of any kind of government at work, resembling most closely State Socialism.

In the second, depicting State Capitalism, one robber (the literal apparatus of government) keeps you covered with a pistol while the second (representing State allied corporations) just holds the bag that you have to drop your wristwatch, wallet and car keys in. To say that your interaction with the bagman was a “voluntary transaction” is an absurdity. Such nonsense should be condemned by all libertarians. Both gunman and bagman together are the true State.

Given this perspective, it doesn't make much sense to consider particular proposals for deregulating or cutting taxes without regard to the role the taxes and regulations play in the overall structure of state capitalism. That's especially true considering that most mainstream proposals for “free market reform” are generated by the very class interests that benefit from the corporate state.

No politico-economic system has ever approximated total statism, in the sense that “everything not forbidden is compulsory.” In every system there is a mixture of compulsory and discretionary behavior. The ruling class allows some amount of voluntary market exchange within the interstices of a system whose overall structure is defined by coercive state intervention. The choice of what areas to leave to voluntary exchange, just as much as of what to subject to compulsory regulation, reflects the overall strategic picture of the ruling class. The total mixture of statism and market activity will be chosen as most likely, in the estimation of the ruling class, to maximize net exploitation by the political means.

## **Primary and Secondary Interventions**

Some forms of state intervention are primary. They involve the privileges, subsidies, and other structural bases of economic exploitation through the political system. This has been the primary purpose of the state: the organized political means to wealth, exercised by and for a particular class of people. Some forms of intervention, however, are secondary. Their purpose is stabilizing, or ameliorative. They include welfare-state measures, Keynesian demand management, and the like, whose purpose is to limit the most destabilizing side-effects of privilege and to secure the long-term survival of the system.

Unfortunately, the typical “free market reform” issuing from corporate interests involves eliminating only the ameliorative or regulatory forms of intervention, while leaving intact the primary structure of privilege and exploitation.

The strategic priorities of principled libertarians should be just the opposite: first to dismantle the fundamental, structural forms of state intervention, whose primary effect is to enable exploitation, and only then to dismantle the secondary, ameliorative forms of intervention that serve to make life bearable for the average person living under a system of state-enabled exploitation. As blogger Jim Henley put it, remove the shackles before the crutches.

To welcome the typical “free market” proposals as “steps in the right direction,” without regard to their effect on the overall functioning of the system, is comparable to the Romans welcoming the withdrawal of the Punic center at Cannae as “a step in the right direction.” Hannibal's battle

formation was not the first step in a general Carthaginian withdrawal from Italy, and you can be sure the piecemeal “privatizations,” “deregulations,” and “tax cuts” proposed are not intended to reduce the amount of wealth extracted by the political means.

## Regulations and Increasing Statism

Moreover, regulations that limit and constrain the exercise of privilege do not involve, properly speaking, a net increase in statism at all. They are simply the corporate state’s stabilizing restrictions on its own more fundamental forms of intervention.

Silber illustrated the dialectical nature of such restrictions with reference to the question of whether pharmacists ought to be able to refuse to sell items (such as “morning after” pills) that violate their conscience. The atomistic-libertarian response is, “Of course. The right to sell, or not sell, is a fundamental free-market liberty.” The implicit assumption here, as Silber pointed out, is “that this dispute arises in a society which is essentially free.” But pharmacists are in fact direct beneficiaries of compulsory occupational licensing, a statist racket whose central purpose is to restrict competition and enable them to charge a monopoly price for their services. Silber wrote:

The major point is a very simple one: the pharmacy profession is a *state-enforced monopoly*. In other words: the consumer and the pharmacist are not equal competitors on the playing field. The state has placed its thumb firmly on the scales — and on one side only. That is the crucial point, from which all further analysis must flow.

...

... [T]he state has created a government-enforced monopoly for licensed pharmacists. Given that central fact, the least the state can do is ensure that everyone has access to the drugs they require — and whether a particular pill is of life and death importance is for the individual who wants it to decide, not the pharmacist and most certainly not the government.

When the state confers a special privilege on an occupation, a business firm, or an industry, and then sets regulatory limits on the use of that privilege, the regulation is not a new intrusion of statism into a free market. It is, rather, the state’s limitation and qualification of its own underlying statism. The secondary regulation is not a net increase, but a net *reduction* in statism.

On the other hand, repeal of the secondary regulation, without an accompanying repeal of the primary privilege, would be a net *increase* in statism. Since the beneficiaries of privilege are a de facto branch of the state, the elimination of regulatory constraints on their abuse of privilege has the same practical effect as repealing a constitutional restriction on the state’s exercise of its own powers.

To expand Spangler’s bagman analogy, a great deal of alleged statism amounts to the gunman telling the bagman, after the victim has handed his wallet over at gunpoint, to give the victim back enough money for cab fare so he can get safely back home and keep on earning money to be robbed of.

When the state is controlled by “legal plunderers” and every decision for or against state intervention in a particular circumstance reflects their strategic assessment of the ideal mixture of intervention and non-intervention, it’s a mistake for a genuine anti-state movement to allow

the priorities for “free market reform” to be set by the plunderers’ estimation of what forms of intervention no longer serve their purpose. If the corporate representatives in government are proposing a particular “free market reform,” you can bet your bottom dollar it’s because they believe it will *increase* the net political extraction of wealth.

The corporate ruling class’s approach to “free market reform” is a sort of mirror-image of “lemon socialism.” Under lemon socialism, the political capitalists (acting through the state) choose to nationalize those industries that corporate capital will most benefit from having taken off its hands, and to socialize those functions the cost of which capital would most prefer the state to bear. They shift functions from the private to the state sector when they are perceived as necessary for the functioning of the system, but not sufficiently profitable to justify the bother of running them under “private sector” auspices. Under “lemon market reform,” on the other hand, the political capitalists liquidate interventionist policies after they have squeezed all the benefit out of state action.

A good example: British industrialists felt it was safe to adopt “free trade” in the mid-nineteenth century, after mercantilism had served its purpose. Half the world had been hammered into a unified market by British force of arms and was held together by a British merchant fleet. Britain had stamped out competing industry in the colonial world. It had reenacted the Enclosures on a global scale, stealing enormous amounts of land from native populations and converting it to cash crops for the imperial market. The commanding position of British capital was the direct result of past mercantilism; having established this commanding position, it could afford “free trade.”

The so-called “free trade” movement in the contemporary United States follows the same pattern. A century ago, high tariff barriers served the interests of American political capitalists. Today, when the dominant corporate interests in America are transnational, tariffs are no longer useful to them. They actually impede the transfer of goods and partially finished products between the national subdivisions of a single global corporation.

On the other hand, so-called “intellectual property” today serves exactly the same protectionist function for transnational corporations that tariffs used to serve for the old national corporations a century ago. So the political capitalists promote a version of “free trade” that involves doing away with outmoded tariff barriers while greatly strengthening the new protectionism of “intellectual property” law.

We must remember that the measure of statism inheres in the functioning of the overall system, not in the formal statism of its separate parts. A reduction in the formal statism of some separate parts, chosen in accordance with the strategic priorities of the statist, may actually result in a net *increase* in the overall level of statism. Our strategic agenda as libertarians, in dismantling the state, must reflect our understanding of the overall nature of the system.

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