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# Glenn Reynolds' Upside-Down Version of History

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Or Reynolds joins Monbiot in the ass-backward club (via Peter M. Lawrence):

But the Industrial Revolution changed things. Improvements in organization, communications, and machinery meant that it was often much more efficient to do things on a large scale than on a small one. Adam Smith noted this in his famous description of a pin factory in *The Wealth of Nations*.

Some economies of scale do exist. But in most forms of production, they level off at a relatively modest level (far smaller than the average plant size, let alone firm size, in most industries). After that, the diseconomies of large scale (multiple layers of bureaucracy and the transaction costs of internal control) begin to offset productive efficiency. And even before economy of scale peaks out, in terms of unit cost of production, it is offset in many cases by increased distribution costs. (See

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Adams and Brock, *The Bigness Complex*; and Stein, *Size, Efficiency, and Community Enterprise*.)

In the economics section of *Human Scale*, Kirkpatrick Sale describes a decentralized economy of small-scale production for local use. It would likely rely on small factories using multi-purpose production facilities that could switch from one production run to another with a minimum of retooling. There would be more creative use of available local materials, more emphasis on repair, reuse and recycling, and a lot less planned obsolescence. And in the rigorous competition and cost-internalization that would exist without the protections of a cartelized oligopoly market, it's unlikely that costly things like annual model changes and cosmetic product differentiation would survive very long. But in terms of both unit cost and man-hours, it would likely be more efficient than the present economy. My own off-the-cuff guess is that, in such an economy, the average worker could produce his current standard of living in about 20 hours a week.

What large organizations are really more efficient at is control. The giant corporation is much better than a cottage producer at obtaining subsidies from the state, externalizing its operating costs on the taxpayer, and lobbying for regulations to cartelize the industry. It's much better at strong-arming its suppliers and outlets. This latter is sometimes called "market power," but that's a misnomer. If size were the legitimate outcome of superior effectiveness in the free market, it would be accurate to call this "market power" and say it was a well-earned payoff from past performance. But when the large size results from government cartelization, government subsidies to the inefficiency costs of large-scale organization, and government subsidies to accumulation, R&D and technical training that promote large size and capital-intensiveness, and thus artificially raise market entry barriers—why, in that case, such "market power" is just another form of ill-gotten gain.

But I don't want to leave you with the impression that a simple Chesterbellocian peasant proprietorship would be a return to a golden age either; that only ever applied transitionally, between the end of endemic mediaeval warfare and the intensification of enclosures in response to the peace dividend. Even with institutions in place to maintain that we couldn't go back to it now — developed countries are overpopulated for that lifestyle, besides which today's populations don't have the skills to go back to that any more than the first Australian convicts could feed themselves by their own efforts until they learned what their ancestors were brought up to do (just look at land reform in Zimbabwe today!).

I don't agree with Mr. Lawrence's assessment of population pressures, by the way. Biointensive farming produces more vegetables per acre than mechanized row-cropping, with far less fossil fuel consumption for fertilizers and long-distance distribution than the present system. So if we'd be overpopulated for that kind of economy, we're far more overpopulated for the kind we have now.

In any case, my main point is that Glenn Reynolds gets it backwards. The large firm and the factory system did not become the dominant economic institutions because of some objective technological imperative, or their superior efficiency in a free market. They became the dominant economic institutions because of their superior effectiveness at controlling labor; and then the state intervened in the market to make them efficient enough to survive.

And one of the forms of control that the factory organization is most efficient at is the control of productive labor. Take Adam Smith's example of the pin factory, that Reynolds makes so much of. As Stephen Marglin pointed out in "What Do Bosses Do?", most of the efficiencies achieved by division of labor in the pin factory could be achieved almost as well by one cottage worker dividing and then sequencing the sub-tasks: first drawing out and straightening all the wire, then cutting it, then sharpening it, etc. The important thing is not so much division of labor, as division of tasks to minimize startup and switchover time.

But in a cottage industry, the pin-maker can decide when to stop and start work. He can decide when to step outside and smoke a pipe. He can decide how much money he needs to subsist on, and adjust his work schedule accordingly. If any surplus value is extracted from his labor, it can only be done indirectly through the cost he pays for raw materials or the premium he pays to a wholesaler to dispose of his product. (And it doesn't take too much imagination to envision a society in which the pin-makers themselves are organized cooperatively to buy raw materials and market their product. The main obstacle to it is political—it's hard to imagine the Whig oligarchy having much patience for that sort of thing in Hannoverian Britain.)

What a factory is much more efficient at is forcing the laborer to work on someone else's schedule, and fleecing him of his entire product minus what he needs to subsist on. There's a large body of literature, by radical industrial historians, on the theme of social control as a motivating factor in the choice among alternative forms of production technology. The pioneers of "deskilling" as a central aim of the production process, of course, were Andrew Ure and Frederick Taylor. But the pioneer *critical* analysis of it was Harry Braverman's *Labor and Monopoly Capital*, followed in quick succession by William Lazonick, David Montgomery, and David Noble. Insti-

tutional economists like David M. Gordon also do a lot of good work on internal authoritarianism as a corporate response to stagnant real wages, speedups, and an increasingly disgruntled work force.

In the process of his larger argument, Reynolds just can't avoid repeating the vulgar libertarian "better than the alternative" apology for sweatshops:

William Blake's "Dark Satanic mills" weren't as bad as they're remembered today — if they had been, people wouldn't have flocked to them. Or maybe it's fairer to say that, bad as they were, they were still better than life as a subsistence farmer. But they were very, very different.

I just don't have the heart even to paste in my past responses to this lame "argument."

The one thing I'd add to what I've already written on the subject is that the ruling class literature of the period is chock full of complaints about just how *hard* it was to get workers into the factories: not only were the lower classes not flocking into the factories of their own free will, but the owning classes used a great deal of energy thinking up ways to force them to do so.

Although the kind of thing I'm saying is denounced as "Marxist class warfare" these days, the land-owning and employing classes of early industrial Britain said the same thing in very nearly the same words, in a pretty frank "we're all men here" style. The cottager with independent access to a piece of land, it was complained, would only work a few days a week to supplement his income, and perhaps even then only work seasonally when he needed an extra stake of money to pay taxes or buy some luxury item. The periodical press resounds with demands for enclosure, the reduction of land available for household gardens, and forcible restriction

"substandard" and "atavistic": "This Nestle infant formula is so much more *scientific* and *up-to-date* than your clunky old breast, Mrs. Bhardwaj..." Like enclosures, it was—far from a spontaneous outcome of the free market—a revolution imposed on society from above in response to producing class recalcitrance.

Meanwhile, Peter Lawrence has some interesting comments on Reynolds' comparison between the factory worker and subsistence farmer:

Of course, it's making the wrong comparisons, comparing "life as a subsistence farmer" with "life as a factory worker", when it should be comparing factories with oppressed agricultural labourers' conditions (they were often not even farmers). It also misunderstands that subsistence farming is not harder work than factory work, only full time farming is; true subsistence farming is just not that intensive except when people are forced onto really marginal land the way some evicted Irish were. Normally, subsistence farming involves occasional hard work and a lot of spare time for other activities (like making cuckoo clocks in Black Forest winters, for cash sale when travel could resume). Working your own land and then some to pay rent, tithes or taxes, now that does need more work — as does working a small part of your own land inefficiently while you clear the rest of it, like the American pioneers. So the author is mistakenly comparing factory conditions with the artificial alternatives obtaining during industrialisation, instead of with the conditions that would have obtained if it had not been for industrialisation.

More generally, it's a common complaint of the owning classes, whenever labor has too much independent access to the means of production and subsistence, that it's hard to get them to work longer hours or on a regular basis, and that even then only when they're offered a wage so high as to cut the profit margin to almost nothing. For example, E.G. Wakefield, an early 19<sup>th</sup> expert on the planting of colonies, recommended that the lower orders' access to vacant land be severely restricted:

In colonies, labourers for hire are scarce. The scarcity of labourers for hire is the universal complaint of colonies. It is the one cause, both of the high wages which put the colonial labourer at his ease, and of the exorbitant wages which sometimes harass the capitalist.

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

It's similar to the complaint of American industry in the 1920s, when the culture of thrift had not yet accommodated itself to the mass-production of cheap crap. Even in cities, people would produce what they could at home, in the household economy, and work only enough to buy what they thought they really needed. Had those cultural persisted, increasing productivity might have led to constantly decreasing work-weeks and expanding leisure. The solution, described by Stuart Ewen in *Captains of Consciousness*, was the mass-consumption revolution: installment buying, cosmetic product differentiation, planned obsolescence, and relentless propaganda to identify "homemade" and "old-fashioned" with

of independent access to the means of subsistence so that the working population would have no choice but to work in the factories or as agricultural wage-laborers for whatever hours a master saw fit to demand of them.

For example, here are some excerpts from contemporary writings, culled from E.P. Thompson, Christopher Hill, and dat ol' debbil Karl Marx. I'm too lazy to paste in the citation data for each one, but you can find them all in Chapter Four of *Studies in Mutualist Political Economy*:

...to lay them [the poor] under the necessity of labouring all the time they can spare from rest and sleep, in order to procure the common necessities of life.

That mankind in general, are naturally inclined to ease and indolence, we fatally experience to be true, from the conduct of our manufacturing populace, who do not labour, upon an average, above four days in a week, unless provisions happen to be very dear... I hope I have said enough to make it appear that the moderate labour of six days in a week is no slavery... But our populace have adopted a notion, that as Englishmen they enjoy a birthright privilege of being more free and independent than in any country in Europe. Now this idea, as far as it may affect the bravery of our troops, may be of some use; but the less the manufacturing poor have of it, certainly the better for themselves and for the State. The labouring people should never think themselves independent of their superiors... It is extremely dangerous to encourage mobs in a commercial state like ours, where, perhaps, seven parts out of eight of the whole, are people with little or no property. The cure will not be perfect, till our

manufacturing poor are contented to labour six days for the same sum which they now earn in four days.

Every one but an idiot knows that the lower classes must be kept poor, or they will never be industrious.

...the use of common land by labourers operates upon the mind as a sort of independence.

[leaving the laborer] possessed of more land than his family can cultivate in the evenings [meant that] the farmer can no longer depend on him for constant work.

Legal constraint to labour is attended with too much trouble, violence, and noise, creates ill will etc., whereas hunger is not only a peaceable, silent, unremitted pressure, but, as the most natural motive to industry and labour, it calls forth the most powerful exertions...

It seems to be a law of nature that the poor should be to a certain degree improvident, that there may be always some to fulfill the most servile, the most sordid, and the most ignoble offices in the community. The stock of human happiness is thereby much increased. The more delicate ones are thereby freed from drudgery, and can pursue higher callings etc. undisturbed.

[among] the greatest of evils to agriculture would be to place the labourer in a state of independence.

Farmers, like manufacturers, require constant labourers—men who have no other means of support than their daily labour, men whom they can depend on.

[Enclosure would force laborers] to work every day in the year. [Children would] be put out to labour early [and the] subordination of the lower ranks of society... would be thereby considerably secured.

Indeed, for an honest statement of the problem, we need look no further than Mandeville's *Fable of the Bees*, so beloved of vulgar libertarians:

It would be easier, where property is well secured, to live without money than without poor; for who would do the work? ...As they ought to be kept from starving, so they should receive nothing worth saving. If here and there one of the lowest class by uncommon industry, and pinching his belly, lifts himself above the condition he was brought up in, nobody ought to hinder him; ...but it is the interest of all rich nations, that the greatest part of the poor should almost never be idle, and yet continually spend what they get... Those that get their living by their daily labour... have nothing to stir them up to be serviceable but their wants which it is prudence to relieve, but folly to cure... To make the society happy and people easier under the meanest circumstances, it is requisite that great numbers of them should be ignorant as well as poor...

By the way... Despite attempts by Mises and others to rehabilitate the early industrialists as small craftsmen who saved investment capital through thrift and hard work, any who fit this profile were for the most part junior partners. The senior partners, the source of most of the investment capital, were the same landed oligarchs who were driving independent proprietors off the land.