

Libertarian Self-Marginalization

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Go to the average mainstream libertarian venue on any given day, and you're likely to see elaborate apologetics for corporate globalization, Wal-Mart, offshoring, Nike's sweatshops, rising CO2 levels, income inequality and wealth concentration, CEO salaries, Big Pharma's profits, and Microsoft's market share, all based on the principles of "the free market"—coupled with strenuous denials of all of the perceived evils of corporate power because (as Henry Hazlitt explained at some place or other in *Economics in One Lesson*) the principles of the "free market" won't allow it.

The last item is what I call "vulgar libertarianism." It refers to the inability of some libertarian commentators to remember, from one moment to the next, whether they're defending free market principles as such, or simply making a cynical apology for the interests of big business and the plutocracy cloaked in phony "free market" rhetoric. The vulgar libertarian commentator will often tip his hat, in principle, to the existence of corporate-state collusion, and admit that the present economy deviates from a free market in many ways that work to the benefit of big business. But shortly after, he will switch gears and proceed to defend the existing size and wealth of big business on the basis of "how our free market system works." The vulgar libertarian argument depends on taking an equivocal position as to whether or not the existing corporate economy is a free market, and then shifting ground back and forth in a such a way as to make the argument come out in big business's favor.

A good example of this appeared recently on Mises Blog: "A Marketplace to Loathe." I should mention, up front, that the author himself (Christopher Westley) has acknowledged corporate rent-seeking in other posts. He acknowledged in the comment thread that corporations in league with the state *could* be a menace, and apologized for having possibly not made that clear in his post. He also explained to me, in a very civil email, that the target of his attack was the unquestioned liberal assumption that corporate power is the normal product of a free market, rather than of government intervention in the market. And he reassured me that, unlike many commenters in the discussion thread under the post, he did not regard my objections as nit-picking. So let me be clear that I don't regard his argument as either malicious or deliberately dishonest (although I have considerable reservations about some of the commenters).

Nevertheless, his original article itself does not include any of the nuances that he stipulated to after the fact. It does not even raise the question of whether or not this is a free market, or

treat it as the point at issue between libertarians and liberals. On its face, therefore, his original argument is a vulgar libertarian one.

The subject of his post was a commentary on NPR's *Marketplace* program. Here is the bit he quoted:

I have one plea. Could you please do what is necessary to restore our faith in the corporations of business, a faith that has been so damaged in recent years? The tall towers that house our corporations are the new palaces of our day, the places where real power resides, but those towers are full of paradoxes. Made of glass, you can't see inside. They're pillars of our democracy, but they are run as totalitarian states. Their names are reduced to a set of initials. Their leaders are unknown to those outside. They are accountable, for the most part, to other institutions that sit in similarly anonymous towers. To the average person, they are foreign entities shrouded in mystery. It is no wonder that we look at them with suspicion, touched with envy.

Westley's response:

...[E]ven the largest corporation has no power over the individual unless the individual grants it, so... the consumer can thumb his nose at General Motors and GM can do nothing but try harder to please him in the future if it wants his business.

Even though it's tangential, by the way, I can't refrain from commenting on Westley's characterization of *Marketplace* as a "Marxist business show" and his reference to the commentator—Charles Handy—as "commie-of-the-day." According to the "Marketplace" homepage, Handy is a "London Business School founder and Claremont Graduate University's Drucker School of Business Professor..." This leads me to believe that however much Handy may support the interventionist state, he's not doing so from a Marxist perspective. (Just as the British propertied classes who argued for Enclosure, on the grounds that the laboring classes could only be forced to work harder if they were kicked off their land, probably weren't Marxists either.) Roy Childs' observation that liberal intellectuals have been, historically, the running dogs of Big Business, is probably closer to the mark. I think it's safe to say that Handy views as *normal* a society in which large corporations are "the pillars of our democracy," and simply wants to stabilize that corporate rule. And for all his no doubt sincere belief in his own progressive motivation, most of the "reform" measures he advocates amount in practice to what New Leftist Gabriel Kolko, in *The Triumph of Conservatism*, called "political capitalism":

Political capitalism is the utilization of political outlets to attain conditions of stability, predictability, and security—to attain rationalization—in the economy... [By rationalization] I mean... the organization of the economy and the larger political and social spheres in a manner that will allow corporations to function in a predictable and secure environment permitting reasonable profits over the long run.

I'm sure Handy *does* see the bad aspects of corporate power as resulting from the unregulated marketplace (as opposed to seeing all corporate power, and the state intervention that causes it, as bad in themselves). But the issue didn't even show up in Westley's post. He simply quoted

a reference to totalitarian corporate power, and then argued that it can't exist because that's not how the "free market" works (that's *works*, present indicative, not *would* work). His later clarifications notwithstanding, his original post simply quoted a reference to corporate power and responded with a counter-assertion that corporate power cannot exist—because the "free market" won't allow it.

At any rate, that was the gist of my comment under the post:

GM and other corporations can (and DO!) also act in collusion with the state, to erect market barriers and limit the range of competition.

So in fact what you should be saying is not that the largest corporation "has no power," but that the largest corporation "WOULD have no power in a free market."

And since this isn't a free market, but rather (as Rothbard said) a corporate state that subsidizes the accumulation of capital and the operating expenses of big business, the radio commentator was entirely correct about the power exercised in those corporate towers.

You should figure out what your actual purpose is: defending free market principles as such, or just defending the profits and power of big business under the guise of "free market" principles.

Several regular Mises Blog commenters immediately reacted to my criticism, in the same way they'd react to a turd in the punchbowl. One of them came up with this gem:

When are you going to get past this same, tired argument? Must the authors qualify every statement? Is this a scholarly journal or a blog article?

Yes, Kevin, we don't live in a free market.

Yes, Kevin, many (if not all) corporations do lobby for and accept handouts.

Oh wait, what's that? It's a Wal-Mart article you haven't chastised for its lack of "this isn't a free-market" qualifications. Go chase it Fido! Bye.

While I think it's justifiable to credit Westley for his honesty and good intentions, the commenters are a different matter entirely.

I'm utterly amazed that 1) a commentator can make a reference to corporate power; 2) a critic can dismiss him as a "Marxist" on the grounds that corporate power can't exist in a "free market"; and 3) the critic's defenders can dismiss the question of whether a free market in fact exists as a quibble and distraction, and accuse the person raising it of marring the symmetry of the critic's pretty argument with a bunch of nasty old facts. When Party A refers to the existence of corporate power, and Party B makes the counter-assertion that corporations can't have (not "couldn't have") any power in a free market, the question of whether in fact a free market *even exists* is not a mere quibble. It is the *central point at issue* in determining whether Party A's contention is right or wrong, and whether Party B owes him an apology.

But let's look at all this in broader terms. Although Handy did not—in the passage quoted by Westley—explicitly treat corporate power as the natural outcome of the market, or argue for state intervention as the only way to prevent it, he did strongly imply it in the full commentary from which it was excerpted. But Westley did not make the extent of government's role in corporate

power the subject of his post; he simply denied, flat-out, that corporate power *existed*, based on the way the *market* operates.

But what if Handy *does*, as I think likely, implicitly assume (what I regard as the typically vulgar liberal assumption) that the free market results in corporate power unless the state intervenes to prevent it: what, then is the most effective response, if our goal is to promote libertarian ideas in society at large? Not, as Westley did, to reflexively defend the honor of big business and deny that corporate power exists.

The most effective response would be something like this:

I agree with you that corporate power exists, and share your concern with its evil effects, but I believe you're mistaken about its causes and remedy. The evil effects of corporate power result, not from government's failure to restrain big business, but from government propping it up in the first place: this government support includes subsidies to the operating costs of big business, and protection of big business from market competition through market entry barriers, regulatory cartels, and special privileges like so-called "intellectual property."

A libertarian movement that dismisses the public's concerns about very real problems, apparent to anyone with eyes in their head, with doctrinaire denials that they exist or can exist, is a libertarian movement doomed to irrelevance.

Here's what Mises wrote, in *Epistemological Problems of Economics*, about apparent conflicts of theory with experience:

If a contradiction appears between a theory and experience, we must always assume that a condition pre-supposed by the theory was not present, or else there is some error in our observation. The disagreement between the theory and the facts of experience frequently forces us to think through the problems of the theory again. But so long as a rethinking of the theory uncovers no errors in our thinking, we are not entitled to doubt its truth.

The vulgar libertarians, however, question neither their application of Mises' theory nor their understanding of the facts. Instead they challenge us: "Who're ya gonna believe: Mises or your lying eyes?"

We all know that corporate power exists. Any libertarian movement that hopes for anything more than self-marginalization must directly address the common sense perception that corporate power exists, and the public concerns that stem from the fact, and explain why the market is the good guy and the state the bad guy on the issue.

The approach I see in all too many mainstream libertarian venues is the moral equivalent of saying to someone whose house is burning down, "Your house can't be burning down because houses can't burn down without oxygen, you dirty commie!"—and then dismissing as "quibbling" the question of whether there *is* in fact oxygen in the air.

We live in a society where the evils of the state-corporate nexus, resulting directly from the corporate size and power it promotes, are the central issues of concern to the average person. Far too large a portion of the current libertarian movement dismisses these concerns as motivated by "economic illiteracy" (although their own pro-corporate apologetics are, if anything, more open

to that charge), and then passes on to what it regards as the *real* problems of injustice crying out for solution: uppity union workers, welfare moms wallowing in luxury on their food stamps, and “trial lawyers.”

For too many mainstream libertarians, the evils of corporate-state collusion are something to tip one’s hat to, and corporate welfare is kinda sorta bad, in principle, I guess, and maybe we oughta do something about it someday.... But welfare that helps the *poor*, instead of the rich, is Flaming Red Ruin on Wheels!

And as historically illiterate and illogical as some of the commenters at Daily Kos can be, when they make their facile “pot-smoking Republicans” dismissals of libertarianism, when you get right down to it mainstream libertarians have only themselves to blame. Rather than addressing the historical illiteracy and illogic with reasoned arguments along the lines I described above—the role the state has played in the creation and preservation of corporate power, and how the market threatens it—mainstream libertarianism simply denies that corporate power exists at all, and backs up that position with equal historical illiteracy and illogic of its own. If I thought “free markets” and “free trade” really meant what neoliberal talking heads mean by them, I’d hate them too.

Indeed, there is a great deal of mirror-imaging between the vulgar libertarian and vulgar liberal interpretation of history. Both the typical denizen of Mises Blog, and the typical Daily Kos commenter, would agree that the giant corporations of the twentieth century emerged from the “laissez-faire” market of the nineteenth, and that the twentieth century mixed economy emerged as an attempt to restrain big business. Their only area of disagreement is over whether big business or big government is the “good guy.”

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