> job description. Most of the important players are lords and vassals at the same time.[104]

The financialization of manufacturing industry dovetails with oligopoly market structure and administered pricing, to cause not only the gutting of productive assets and the proliferation of white collar bureaucracy, but also drastically reducing the incentive for technological progress.

Graeber attributed the shift in the 1970s from research and development into technologies, like labor-saving appliances, that increased the average person's quality of life (technologies "associated with the possibility of alternative futures" like the post-scarcity utopias portrayed in popular fiction), to technologies "that furthered labor discipline and control,"[105] to a change in the nature of capitalism.

For one thing, capitalist elites may have been coming to the same conclusion as Marx — that continued mechanization of labor and growing capital-intensiveness of production would result in a falling rate of profit.[106] This becomes especially plausible, when we consider the fact that the generational process of rebuilding the European and East Asian plant and equipment destroyed in WWII was nearing its completion around 1970; the 70s were a time of reassessment by political and economic elites that resulted in the replacement of the New Deal social compact with the neoliberal consensus that has dominated ever since.

This neoliberal shift was accompanied by a major change in corporate governance and increased extractiveness of corporate business models.

[104] Graeber, *Bullshit Jobs*, p. 181.

[105] David Graeber, "Of Flying Cars and the Declining Rate of Profit," in *The Utopia of Rules: On Technology, Stupidity, and the Secret Joys of Bureaucracy* (Brooklyn and London: Melville House, 2015), p. 120.

[106] *Ibid.*, pp. 121–122.

The Rentier Economy, Vulture Capital, and Enshittification

Kevin Carson

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penditures is treated as indirect cost. What's more, such overhead is treated, by definition, as the creation of value; through the practice of "overhead absorption," it is incorporated into the internal transfer price of goods which are "sold to inventory," and hence increases the total value on paper of unsold assets sitting in the warehouse. So management and management consultants obsessively look for ways to shave another few seconds off of direct labor costs — straining at a gnat — while they swallow the camel of bloated administrative costs and wasteful capital expenditures.[103]

Enterprises characterized by high levels of rent extraction, and flush with income from the same, tend to display conspicuous waste in areas *not* directly associated with production. To quote Graeber:

> As a general principle, I would propose the following: in any political-economic system based on appropriation and distribution of goods, rather than on actually making, moving, or maintaining them, and therefore, where a substantial portion of the population is engaged in funneling resources up and down the system, that portion of the population will tend to organize itself into an elaborately ranked hierarchy of multiple tiers (at least three, and sometimes ten, twelve, or even more). As a corollary, I would add that within those hierarchies, the line between retainers and subordinates will often become blurred, since obeisance to superiors is often a key part of the

[103] For a general survey of corporate management accounting and the bureaucratic pathologies it spawns, see William Waddell and Norman Bodek, The Rebirth of American Industry: A Study of Lean Management (Vancouver, WA: PCS Press, 2005).

> entirely new and basically pointless professional-managerial positions, usually — as we've seen in the case of universities — accompanied by small armies of equally pointless administrative staff. As we have seen so often, first the staff is allocated and *then* someone has to figure out what, if anything, they will actually do.[101]

Management downsizing in the 80s and 90s was largely a myth. In fact, the proportion of employees in supervisory positions has grown, along with the proportion of total compensation going to management salaries. As David M. Gordon observed in 1996, average pay for production workers had risen from $6.40 (in constant 1994 dollars) in 1948 to $10.50 in 1972. They stayed stagnant afterward, despite the fact that per capita GDP in constant dollars was 53% higher in 1992 than in 1972. Meanwhile, despite the conventional view to the contrary, the proportion of managers and supervisors actually grew during the 1990s. Executive, administrative, and managerial employees in private, nonfarm employment rose from 12.6% to 13.2% of the labor force. Still worse, from 1973 to 1993, management salaries rose from 28.6% to 41.1% of total employee compensation.[102] The difference would have been enough to increase the hourly pay of production workers by almost 25%.

This tendency — toward not only bullshit jobs but bullshit capital expenditures as well — is reinforced by the standard rules of management accounting. Under the corporate accounting rules pioneered by Donaldson Brown at DuPont, and then introduced at General Motors — the basis for GAAP accounting rules — production labor is the only thing counted as a direct cost. Overhead from management salaries and capital ex-

[101] Graeber, *Bullshit Jobs*, p. 180.

[102] David M. Gordon, *Fat and Mean: The Corporate Squeeze of Working Americans and the Myth of Management "Downsizing"* (New York: The Free Press, 1996), pp. 4–5, 19, 52–54, 82.

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> …the market for privatized services dwarfs that of privatized facilities. The private-prison industry's annual revenues total $4 billion. By comparison, the correctional food-service industry alone provides the equivalent of $4 billion worth of food each year, according to Technomic, a food industry research and consulting firm. Corrections departments spend at least $12.3 billion on health care, about half of which is provided by private companies. Telephone companies, which can charge up to $25 for a 15-minute call, rake in $1.3 billion annually. The range of for-profit services is extensive, from transport vans to halfway houses, from video visitations to e-mail [sic], from ankle monitors to care packages. To many companies, the roughly $80 billion that the United States spends on corrections each year is not a national embarrassment but a gold mine.[100]

Ironically, much of the "cost savings" from asset-stripping and downsizing of production workers, in firms acquired by asset management corporations, is simply used to subsidize the proliferation of what David Graeber called "bullshit jobs" in the white collar stratum.

> Where did the profits from this increased productivity go? Well, much of it, as we are often reminded, ended up swelling the fortunes of the wealthiest 1 percent: investors, executives, and the upper echelons of the professional-managerial classes…. [But a]nother considerable chunk of the benefits of increased productivity went to creating

[100] Tim Requarth, "How Private Equity is Turning Public Prisons Into Big Profits," The Nation, April 30, 2019 <https://www.thenation.com/article/archive/prison-privatization-private-equity-hig/>.

distances shopping for funeral services by charging 42% more than independent funeral homes on average.[98]

If the ideal target for rent extraction is a captive consumer with nowhere else to go, then investors in the private prison racket — and even more so in private auxiliary services for public prisons — have hit the motherlode.

> Private equity firms have nearly monopolized the market in areas like prison telecommunications. They control huge swaths of vital services like prison health care and food service. The lack of oversight around private equity, combined with the sector's predatory tactics, has created a nightmare for captive prison populations, whose most basic needs are subjected to the whims of investors.

Private equity, for example, owns around 90% of prison telecommunications — 80% of that going to two firms.

Fee-gouging practices include charging prisoners 3 to 5 cents per minute to read e-readers, similar exorbitant charges to make phone calls to their families, and 25 cent "stamp" charges to send or receive an email. Keep in mind that prisoners are paying these fees with the wages from prison work that pays pennies an hour.[99]

And again, this isn't just limited to private prison corporations. Public prison systems are rife with corrupt private contractors.

[98] Cory Doctorow, "The antitrust Twilight Zone," *Pluralistic*, December 16, 2022 <https://pluralistic.net/2022/12/16/schumpeterian-terrorism/#deliberately-broken>.

[99] Derek Seidman, "Private Equity is Using Prison Phone, Food, and Health Systems to Rack Up Profits," *Truthout*, November 24, 2023 <https://truthout.org/articles/private-equity-is-using-prison-phone-food-and-health-systems-to-rack-up-profits/>.

> There is a crime here that goes beyond denunciation. There is a sorrow here that weeping cannot symbolize. There is a failure here that topples all our success. The fertile earth, the straight tree rows, the sturdy trunks, and the ripe fruit. And children dying of pellagra must die because a profit cannot be taken from an orange. And coroners must fill in the certificate — died of malnutrition — because the food must rot, must be forced to rot.
>
> —John Steinbeck, *The Grapes of Wrath*

Introduction

What Enshittification Is. The term "enshittification" was coined by Cory Doctorow, a science fiction writer and astute commentator on economic technological matters, originally from Canada. In Doctorow's usage, it refers to a life-cycle process in which a platform progressively takes advantage of its intermediary status to exploit and abuse major stakeholder groups — sellers, buyers, workers, users, advertisers, however the relevant categories may overlap on a given platform — and uses intellectual property and other forms of legal privilege to lock in its intermediary status. In the process it becomes less and less useful for all of them, limited only by the need to provide a bare minimum of remaining use-value to keep them from leaving altogether despite the inconvenience and switching costs of doing so.

> Here is how platforms die: first, they are good to their users; then they abuse their users to make things better for their business customers; finally, they abuse those business customers to claw back all the value for themselves. Then, they die.

I call this enshittification, and it is a seemingly inevitable consequence arising from the combination of the ease of changing how a platform allocates value, combined with the nature of a "two sided market," where a platform sits between buyers and sellers, holding each hostage to the other, raking off an ever-larger share of the value that passes between them.

When a platform starts, it needs users, so it makes itself valuable to users. Think of Amazon: for many years, it operated at a loss, using its access to the capital markets to subsidize everything you bought. It sold goods below cost *and* shipped them below cost. It operated a clean and useful search. If you searched for a product, Amazon tried its damndest to put it at the top of the search results.

This was a hell of a good deal for Amazon's customers. Lots of us piled in, and lots of brick-and-mortar retailers withered and died, making it hard to go elsewhere. Amazon sold us ebooks and audiobooks that were permanently locked to its platform with DRM, so that every dollar we spent on media was a dollar we'd have to give up if we deleted Amazon and its apps. And Amazon sold us Prime, getting us to pre-pay for a year's worth of shipping. Prime customers start their shopping on Amazon, and 90% of the time, they don't search anywhere else.

That tempted in lots of business customers – Marketplace sellers who turned Amazon into the "everything store" it had promised from the beginning. As these sellers piled in, Amazon shifted to subsidizing suppliers. Kindle and Audi-

> "We went to Mail Boxes Etc, because we didn't actually know where the landlord's office was, or where they worked, or who he was," Gallagher said. "That really struck me. There's this group that owes a lot of accountability, and we have no idea who they are and no way of holding them accountable."…
>
> By 2015, the number of LLC landlords had risen to nearly 15% of rental owners, up from 8% in 1991. And the more units a landlord had, the likelier their use of LLC-like entities; when a landlord owned between five and 24 units, the likelihood of them being individually named owners was 35% in 2015, down from 65% in 2000. Meanwhile, a 2015 investigation of US real estate purchases found that "nearly half the residential purchases of over $5m were made by shell companies rather than named people".[97]

Private equity predation is by no means limited to the acquisition of large corporations. So-called "rollups" — the purchase of numerous small entities in a local or regional market — can be equally lucrative, but with the added advantage of not triggering antitrust scrutiny. A private equity corporation can buy up most of the emergency rooms, ambulance services, youth addiction centers, nursing homes, newspapers, funeral homes, etc., in a given market, and acquire local monopoly pricing power. For example Service Corporation International (SCI) has bought up hundreds of funeral homes, and takes advantage of the reluctance of bereaved families to travel long

[97] Rick Paulas, "Hidden landlords: renters' woes soar as property owners hide their identities," *The Guardian*, November 16, 2023 <https://www.theguardian.com/us-news/2023/nov/16/hidden-landlords-limited-liability-companies-llcs-rental-property>.

> Brookfield Asset Management, a Toronto-based real-estate investment conglomerate, acquired a hundred and thirty-five communities in thirteen states.

As with other forms of real estate, an early sign of acquisition by private equity is "a dramatic spike in lot rent."

> Once a home is stationed on a lot, it is not always possible to move it; if it is possible, doing so can cost as much as ten thousand dollars…. "The vulnerability of these residents is part of the business model," Sullivan said. "This is a captive class of tenant." A leader of an association for mobile-home owners in Washington State has compared life in a mobile-home park to "a feudal system."
>
> …According to Jim Baker, the executive director of the Private Equity Stakeholder Project, a think tank that monitors the effects of private-equity firms' investments, extracting profits by increasing lot rents and decreasing expenditure on upkeep is common.[96]

In some cases, the layers of shell ownership are so deep that tenants don't even know who their landlord is.

> However, the tenant and their supporters had one big problem: they didn't know where the landlord was. All of the rent checks had been made out to a limited liability company (LLC) and sent to a retail-store mailbox.

[96] Sheelah Kolhatkar, "What Happens When Investment Firms Acquire Trailer Parks," *The New Yorker*, March 8, 2021 <https://www.newyorker.com/magazine/2021/03/15/what-happens-when-investment-firms-acquire-trailer-parks>.

> ble creators got generous packages. Marketplace sellers reached huge audiences and Amazon took low commissions from them.
>
> This strategy meant that it became progressively harder for shoppers to find things anywhere except Amazon, which meant that they only searched on Amazon, which meant that sellers *had* to sell on Amazon.
>
> That's when Amazon started to harvest the surplus from its business customers and send it to Amazon's shareholders. Today, Marketplace sellers are handing 45%+ of the sale price to Amazon in junk fees. The company's $31b "advertising" program is really a payola scheme that pits sellers against each other, forcing them to bid on the chance to be at the top of your search.
>
> Searching Amazon doesn't produce a list of the products that most closely match your search, it brings up a list of products whose sellers have paid the most to be at the top of that search. Those fees are built into the cost you pay for the product, and Amazon's "Most Favored Nation" requirement for sellers means that they can't sell more cheaply elsewhere, so Amazon has driven prices at *every* retailer.[1]

Doctorow elaborates on the concept in numerous places elsewhere — as do Mike Masnick and the other writers at *Techdirt* — as it applies to social media platforms, sharing platforms like Uber, music and movie streaming platforms, etc. But for Doctorow, it applies almost entirely to digital platforms.

[1] Cory Doctorow, "Tiktok's enshittification," *Pluralistic*, January 21, 2023 <https://pluralistic.net/2023/01/21/potemkin-ai/#hey-guys>.

In this paper, I will apply the concept of enshittification much more broadly. It applies admirably to all the ways that capitalism, historically, has extracted rents by impeding the creation of value, or by actively destroying it. And it has become still more applicable with the rise of rentier capitalism over the past two generations.

Does Enshittification Represent the End of Capitalism? In recent years McKenzie Wark, Yanis Varoufakis, and Cory Doctorow have all argued that some sort of postcapitalist system of extractive class rule has supplanted capitalism proper. This new stage in economic history — variously called "vectoralism" or "techno-feudalism" — is cloud-based and/or rentier, rather than based primarily on markets and profit.

Much like Burnham's Managerial Revolution thesis, the thesis vectoralism or techno-feudalism as a system of class domination distinct from capitalism is overstated. The thesis exaggerates the break between capitalism and the alleged techno-feudal successor, in much the same way that it exaggerates the sharpness of the transition between feudalism and capitalism and illegitimately downplays the role rent extraction has always played in capitalism. In fact, there is a great deal of commonality between leftist critiques of surplus extraction under classic industrial capitalism, and the ways in which digital platforms extract economic rents today.

For one thing, a major part of the transition to capitalism was played by the portion of feudal landlords who transformed their customary feudal rights into absolute land title in the modern capitalist sense, transformed peasants with customary rights into at-will tenants, and rack-rented and evicted the latter or compelled them to become agricultural wage laborers. For another, contrary to the myth of an industrial revolution funded through accumulation by "abstemious capitalists," the landed oligarchy of Britain were silent partners who advanced a major portion of total investment capital.

The same is true across the board, including single-family homes as well.

> Private equity is behind the mass rollup of single-family homes across America. Wall Street landlords are the worst landlords in America, who load up your rent with junk fees, leave your home in a state of dangerous disrepair, and evict you at the drop of a hat.…
>
> As these houses decay through neglect, private equity makes a bundle from tenants and even more borrowing against the houses. In a few short years, much of America's desperately undersupplied housing stock will be beyond repair. It's a bust out.[95]

And as one might expect, trailer park residents get more than their share of exploitation by private equity. Predatory investors

> see the parks as reliable sources of passive income — assets that generate steady returns and require little effort to maintain. Several of the world's largest investment-services firms, such as the Blackstone Group, Apollo Global Management, and Stockbridge Capital Group, or the funds that they manage, have spent billions of dollars to buy mobile-home communities from independent owners.… In 2013, the Carlyle Group, a private-equity firm that's now worth two hundred and forty-six billion dollars, began buying mobile-home parks, first in Florida and later in California, focussing [sic] on areas where technology companies had pushed up the cost of living. In 2016,

[95] Doctorow, "The long lineage of private equity's looting."

"Large private equity firms accounted for 85% of Freddie Mac's 20 biggest deals financing apartment complex purchases by a single borrower," according to Heather Vogell.

> Private equity is now the dominant form of financial backing among the 35 largest owners of multifamily buildings, the analysis showed. In 2011, about a third of the apartment units held by the top owners were backed by private equity. A decade later, half of them were.

Private equity firms are among the worst offenders among landlords, in terms both of evictions and jacking up rents.[92]

Deferred maintenance and "slumlord" conditions are typical in apartment complexes acquired by asset-management firms.[93] "We would be told for weeks on end that requests for repairs were awaiting corporate approval," according to one resident of the Olume apartments in San Francisco after Greystar bought them out. The owners' response to complaints of broken appliances was straight out of *Brazil*:

> When Titus' refrigerator and, later, her washing machine broke, she said building staff simply scavenged replacements from other apartments instead of getting the broken ones fixed or buying new ones. The shuffling was so extensive that when she had a problem with a replacement refrigerator and staff brought yet another one to her unit, she peered inside to find labels she had affixed there herself, months before. She realized staff had given her back her original appliance. It still leaked, she noted.[94]

[92] Heather Vogell, "When Private Equity Becomes Your Landlord," *ProPublica*, February 7, 2002 <https://www.propublica.org/article/when-private-equity-becomes-your-landlord>.

[93] Christophers, *Our Lives in Their Portfolios*, p. 177.

[94] Vogell, "When Private Equity Becomes Your Landlord."

As Maurice Dobb pointed out, although much of the entrepreneurship of the industrial revolution was — as argued by capitalist apologists — carried out by "new men…, devoid of privilege or social standing," this did not negate their heavy reliance on old money for their investment capital. True enough, the new industries were, to a considerable extent, built by men from the humble ranks of master craftsmen and yeomen farmers with small savings; but the great bulk of capital by which industry was financed came from "merchant houses and from mercantile centres like Liverpool." These humble upstarts were able to make money off their own small savings only through the favor and patronage of the old ruling class. "[A]ntagonism between the older capitalist strata and the *nouveaux riches* of the new industry never went very deep."[2]

Far from rent being merely profit's "feudal predecessor,"[3] there has always been a large rentier component in capitalism, and it has always been used to extract passive incomes and to destroy productive capacity or impede the production of use-value. Even among classic industrial firms, in which physical means of production were owned by capitalists, an enormous share of profit consisted of Veblen's "capitalized disserviceability."

And despite Varoufakis's framing of today's economy — in which "owners of traditional capital, such as machinery, buildings, railway and phone networks, industrial robots" are "vassals in relation to a new class of feudal overlord, the owners of cloud capital"[4] — as a novelty, owners of physical capital long ago assumed that status in relation to finance capital, which

[2] Maurice Dobb, *Studies in the Development of Capitalism* (London: Routledge & Kegan Paul, Ltd, 1963) pp. 22, 277–8.

[3] Yanis Varoufakis, *Techno-Feudalism: What Killed Capitalism* (Vintage, 2023), p. 9. Pagination is from the pdf version hosted on Library Genesis at <https://library.lol/main/237B9809D7FA1E66FAE735D06DCB2A27> (obtained October 27, 2023).

[4] *Ibid.*, p. 10.

had a similar extractive logic. Likewise, the increasing growth of "cloud serfdom" at the expense of wage labor, as a source of surplus extraction,[5] is analogous to a similar phenomenon anticipated generations ago in Marxist analysis of monopoly capital: the extraction of profit from consumers by unequal exchange, rather than from workers in the production process.

Varoufakis's insistence on the non-capitalist character of the emerging system places more emphasis on the essentiality of markets than of capital to capitalism; in fact he admits that it is another system of rule by capital: "it is capital that has shaken off the yoke of the capitalist market! And while capital is taking its victory lap, capitalism itself is receding."[6]

> Wark writes of a new 'vectoralist' class in control of a vector that connects a supplier of materials to all stages of production and distribution in a manner that undermines, and usurps, capital. That's not how I saw it. What she refers to as a vector choking capital seemed to me a new mutation of capital – a cloud capital so virulent that it created a new ruling class with feudallike powers to extract wealth.[7]

Take, for example, Bret Christophers' attempt to distinguish the rentier income of the landlord from the non-rentier income of the construction company which builds the house. The distinction is actually not so clear-cut.

> Suppose a construction company builds a house for a landowner who then lets the house to a tenant. The house 'earns' money, in a sense, for both the construction company and the landowner.

[5] *Ibid.*, p. 79.
[6] *Ibid.*, p. 84.
[7] *Ibid.*, p. 210.

> mass layoffs by working 16 hours per shift or more, discouraged from taking lunch breaks, and sometimes required to work overtime or risk losing their jobs
>
> One 40-year veteran railroad worker told Motherboard he has never seen anything like it. "They're just cutting everywhere, on both ends of everything."…
>
> [Anonymous Norfolk Southern workers] said these cuts have resulted in a dramatic personnel shortage, and since none of the company's efficiency metrics measure safety, supervisors and workers are placed in the thankless position of either sacrificing safety in order to hit the numbers or do the responsible thing and risk getting punished.
>
> Across the different crafts, workers highlighted the same general problem: in the push for efficiency, fewer workers are being tasked with more, rushed through safety-critical inspections and repairs, and are pressured not to report defects or potential safety issues that will take cars out of service and require manpower to fix.[91]

The parasitic and destructive nature of the rentier economy holds equally true in real estate. Purchases of residential real estate by asset management firms exploded after the 2008 crash, snatching up devalued properties by the gross.

[91] Aaron Gordon, "It's Going to End Up Like Boeing: How Freight Rail Is Courting Catastrophe," *Motherboard*, March 22, 2021 <https://www.vice.com/en/article/3angy3/freight-rail-train-disaster-avoidable-boeing>.

can go towards executive pay and shareholder dividends. All but one of the seven so-called "Class I" railroad companies, which account for 94 percent of the freight rail industry's revenue, have explicitly adopted some form of PSR….

Increasingly, railroads are choosing to boost profits and pay shareholders rather than invest in safety. In interviews with Motherboard, workers said that since their respective companies adopted PSR, they barely recognize the work that they do. All of their priorities have changed. What used to be about safety is now about cutting costs. Among the changes:

- Workers now have to inspect many multiples more rail cars in a fraction of the time, barely giving them enough time to walk the entire train…
- Shops and yards that used to perform inspections along routes have been closed, meaning there are fewer inspection points…
- Maintenance is deferred as long as possible
- Knowledgeable and safety-conscious supervisors have often been replaced by businessmen who cultivate a culture of fear and intimidation around reporting unsafe equipment; doing so would keep the train in the yard longer, hurting the metrics on which supervisors are graded
- While there are strict federal rules governing how often the people running the trains must rest so as to minimize accidents, the workers performing safety-critical inspections have been pushed to compensate for

> But fundamentally different types of economic activity, actor and payment are involved in each case. The construction fee is payment for the work involved in building the house, independent of the house's ownership; if no work had been carried out, after all, there would be no house, and no payment. Thus, the construction company is not a rentier; it earns money not for controlling the asset, but for creating it. The letting fee, by contrast, is rent, and the landowner a rentier, since she receives payment only because she is the owner of the house and thus has the capacity to charge someone for the right to occupy it.[8]

Now, it's true that the landlord is *primarily* a rentier, while the construction company *primarily* gets its income from producing things. But the construction company and most other major actors under capitalism is, in fact, to some extent a rentier. The income of most capitalist business firms is a mixture of the returns from actually making and doing things, and the returns from in some way being the beneficiary of legal restrictions on the right to make and do things (e.g., in the case of a construction company, building codes). This has always been the case.

In short Varoufakis' thesis, in my opinion, illegitimately downplays the continuity of classic industrial capitalism both with its feudal predecessor and with its late capitalist successor.

To be sure, despite the previous caveats, it's entirely correct that with the rise in significance of the FIRE (Finance, In-

[8] Brett Christophers, *Rentier Capitalism: Who Owns the Economy, and Who Pays For It?* (London and New York: Verso, 2020), pp. 23–24. All page references to this book will be from CloudConvert's pdf conversion of the epub version hosted by Library Genesis at <http://library.lol/main/C0B801D70D3E9DFF6041355CFD9B99F0> (downloaded Sept. 30, 2023).

surance, Real Estate) Economy and intellectual property over the past forty years, the extent of rent extraction as a share of capitalist profit — and the extent to which rent extraction has come to impede production or actually destroy value — have reached unprecedented levels.

The Nature of Rent

The concept of economic rent originally grew out of David Ricardo's analysis of differential land rent, based on the differing fertility of different tracts of land. As population grew and expanded the "margin of cultivation" to land that was previously idle because of inferior fertility, those cultivating the new less fertile land had to expend more labor and material inputs to obtain the same level of output. As a result, the price of grain from this new land had to be higher to cover the higher production costs for making less fertile land productive. But because of the tendency for a single market price to emerge in any given locale, land-owners occupying more fertile tracts within the old margin of cultivation were able to charge a price higher than necessary to cover their costs, and thereby obtained an unearned surplus profit. So the more it costs in added labor and inputs to make the most recently cultivated ground productive, the more unearned profit obtained by owners of more fertile land already under cultivation. Henry George expanded this basic principle beyond its initial agrarian application, to include location in addition to fertility (i.e. unearned rents resulting from superior site locations for commercial and residential land). The increased value of a given location is created by the surrounding community bidding up the price of a fixed supply of land; the landlord is in a position to appropriate that value as a simple result of sitting on it, with no productive activity of their own.

> The number of usable track-miles in America plummeted. Productivity – driven by layoffs and service cuts – leveled off when there weren't any workers or routes left to cut.
>
> …Today, the American rail system has been cut to the bone, and it represents one of the weak links in the US supply chain. The system experiences bottlenecks at every point: loading, unloading, delivery – not to mention all the cargo that disappears overboard when the trains derail while traversing under-maintained tracks.[90]

Railroad workers have warned that staffing cuts, and deferment or skimping on maintenance, will inevitably result in disaster.

> According to interviews with current and former rail workers, union officials, and independent experts, the Hyndman derailment and others like it are the all-too-predictable result of nearly all the major freight rail companies adopting a business approach called Precision Scheduled Railroading (PSR). Proponents of PSR say it is about leveraging modern technology to improve efficiency. But those who work on the railroads every day say it is little more than a euphemism for draconian cost-cutting in order to achieve an arbitrary metric that pleases shareholders. That metric, called an "operating ratio," must get below 60 percent, which means only 60 percent of every dollar earned goes towards actually running the railroads. The rest

[90] Cory Doctorow, "Rail monopolies destroyed the American supply chain," *Pluralistic*, February 4, 2022 <https://pluralistic.net/2022/02/04/up-your-nose/#rail-barons>.

The pandemic has seen massive failures in rail service – late deliveries, waves of derailments, huge backlogs. But rail *profits* have soared, as have the prices of carrying freight. No wonder: in 1980, there were 40 US "Class I" railroads. Today, there are *seven*….

Today, the remaining Big Railroad companies have divided up the country into noncompeting territories. Two companies – CSX and Norfolk Southern – dominate the east-of-Chicago trade. West of Chicago, there's another duopoly run by Union Pacific and BNSF. North-south rail is controlled by three companies. Most train stations have only one railroad servicing them.

The railroads haven't just hiked their rate-cards, they've also hiked their hidden fees, doubling their revenues from "demurrage and accessorial" fees – these are the rail equivalent of airline baggage upcharges.

But most of all, railroads have implemented "Precision Scheduled Railroading" (PSR), a just-in-time system that saw mass closures of freight facilities and huge staff reductions – since deregulation the rail industry went from 500,000 jobs to 130,000 jobs. Much of these staff reductions involved closing union shops and replacing well-paid workers with low-paid workers who have fewer on-the-job rights.

…Right from the start, PSR created shipping delays and losses. Railyard accidents shot up, and with them, worker fatalities. Derailments soared. People died….

More important, however, the concept of economic rent was expanded by way of analogy beyond the classical political economists' focus on land altogether, to include a return over and above the normal market return necessary to incentivize performing *any* service or bringing *any* good to market, as a result of occupying a position of power. More broadly, it is sometimes used in reference to any kind of passive income resulting from ownership of assets rather than direct production.

But in my opinion the concept of economic rent can most usefully be generalized to cover any situation in which unearned income results from some form of power, privilege, artificial scarcity, or artificial property right. To quote Christophers again, "in essence, rent… is payment to an economic actor (the rentier) who receives that rent – and this is the key factor – purely by virtue of controlling something valuable."[9] The "something valuable" is, in Henry George Jr.'s terminology, "access to productive opportunities."

In other words, it is the collection of an income, not by making or doing anything, but by controlling the conditions under which others are allowed to make or do things.

> Rentier assets are as varied as rentiers themselves. Some – housing, telecommunications infrastructure, digital platforms – are physically constructed, in virtual if not real space; others – intellectual property rights, outsourcing contracts – are purely legal rather than physical constructs; and others still – land, natural resources – are not constructed at all, but simply exist spontaneously.[10]

Thorstein Veblen's term for this ability to collect tribute based on the power to obstruct was "capitalized disserviceabil-

[9] *Ibid.*, p. 23.
[10] *Ibid.*, p. 24.

ity."[11] And anything that collects an income — including for not using artificial property rights to obstruct production — is a "factor of production."[12]Essentially, the ability to obstruct production, or to withhold resources from production, is defined as "productivity."

Maurice Dobb uses the hypothetical example of toll-gates (purely to collect fees for not obstructing passage, not for actually funding upkeep on roads):

> Suppose that toll-gates were a general institution, rooted in custom or ancient legal right. Could it reasonably be denied that there would be an important sense in which the income of the toll-owning class represented "an appropriation of goods produced by others" and not payment for an "activity directed to the production or transformation of economic goods?" Yet toll-charges would be fixed in competition with alternative roadways, and hence would, presumably, represent prices fixed "in an open market…." Would not the opening and shutting of toll-gates become an essential factor of production, according to most current definitions of a factor of production, with as much reason at any rate as many of the functions of the capitalist entrepreneur are so classed to-day? This factor, like others, could then be said to have a "marginal productivity" and its price be regarded as the measure and equivalent of the service it rendered. At any rate, where is a logical line to be drawn between toll-gates

[11] Thorstein Veblen, "On the Nature of Capital: Investment, Intangible Assets, and the Pecuniary Magnate," *Quarterly Journal of Economics* volume 23, issue 1 (November 1908), p. 108.

[12] Veblen, *The Engineers and the Price System* (New York: B.W. Huebsch, Inc., 1921), p. 27.

The effects of asset management firms' buyouts of nursing homes on residents' quality of life are even more horrifying.

> The Carlyle Group wanted to pay its investors a billion-dollar dividend, so it pawned the real estate holdings of a nursing home chain, forcing it to cough up a half-billion-dollar yearly rent check, which was managed through savage staffing cuts that likely condemned thousands of elderly Americans to die slowly of dehydration, gangrenous bedsores, and preventable falls even before COVID-19 killed a quarter-million residents nationwide. KKR wanted to extract its own payday from a chain of group homes for developmentally disabled adults that had already been sucked dry by a Canadian private equity firm, so it slashed pay to $8 an hour and told workers that it would have them *arrested* for patient abandonment if they attempted to leave "early" from open-ended "shifts" that lasted as long as 36 hours. On five separate occasions, Texas health inspectors visited KKR's facilities to find no staff at all. In a single August 2020 day at one West Virginia group home, three of eight unsupervised residents very nearly killed themselves; the unnamed soul who drank antifreeze and was not hospitalized for nine hours damaged his organs permanently.[89]

We can also thank private equity's deferred maintenance and milking of the railroad system for the constant stories of derailment and chemical spills, as well as strikes by workers who get no sick days.

[89] Tkacik, "Days of Plunder."

> initial investment. The more expensive the leases, the more the private equity firm makes.…
>
> If Olive Garden has to cut its earnings in half to pay rent on properties it previously owned, you can forget about upgrading the menu or making any of the other improvements Starboard Value suggests. The restaurants will barely be able to keep afloat. But Olive Garden's continued existence is of minimal importance to Starboard Value. "These are shareholders, they don't really care what happens once they make their money," said Eileen Appelbaum [coauthor of a book on private equity].[87]

Private equity bears a major share of blame for America's godawful healthcare system.

> PE's most ghastly impact is felt in the health care sector. Whole towns' worth of emergency rooms, family practices, labs and other health firms have been scooped up by PE, which has spent more than $1t since 2012 on health acquisitions.…
>
> Once a health care company is owned by PE, it is significantly more likely to commit medicare fraud. It also cuts wages and staffing for doctors and nurses. PE-owned facilities do more unnecessary and often dangerous procedures. Appointments get shorter. The companies get embroiled in kickback scandals.[88]

[87] David Dayen, "The real Olive Garden scandal: Why greedy hedge funders suddenly care so much about breadsticks," *Salon*, September 17, 2014 <https://www.salon.com/2014/09/17/the_real_olive_garden_scandal_why_greedy_hedge_funders_suddenly_care_so_much_abou>.

[88] Doctorow, "The long lineage of private equity's looting."

> and property-rights over scarce resources in general?[13]

John R. Commons made a distinction similar to that of Veblen between capitalized serviceability and capitalized disserviceability: namely, between *producing power* and *bargaining power*, and between the ability to *hold* for self and *withhold* from others.[14]

Christophers refers to a specific emphasis, in the analysis of rent by heterodox economists, which is also useful: its origin in extraction, rather than production.

> Not only, some heterodox writers argue, is rent asset-based income; it is income associated with the extraction rather than creation of value. The rentier, that is to say, is considered a parasite; asset control enables her to arrogate to herself value created elsewhere.[15]

Or, as Cory Doctorow put it, rentiers aim to "capture" value rather than to "create" it.[16] It complements the other definitions of rent previously discussed because to charge tribute for not obstructing productive activity amounts to the extraction of value created by the producer.

At this point, at the risk of appearing to quibble, I believe it's important to clarify that, contrary to Christophers' too-sharp distinction between material and immaterial assets, the status of land and natural resources as assets for rent extraction derives not from simple physical possession or occupancy but

[13] Dobb, *Political Economy and Capitalism: Some Essays in Economic Tradition*. Second revised edition (London: Routledge & Keegan Paul, Ltd., 1940, 1960), p.66.

[14] John R. Commons, *Legal Foundations of Capitalism* (New York: MacMillan, 1924), pp. 20–21, 53–54, 369.

[15] Christophers, *Rentier Capitalism*, p. 28.

[16] Cory Doctorow, "Autoenshittification," *Pluralistic*, July 24, 2023 <https://pluralistic.net/2023/07/24/rent-to-pwn/#kitt-is-a-demon>.

from the legal right — which very much *is* constructed and immaterial — to control access to them.

The implication of this is that the distinction in mainstream economic thought between "normal profit" on production, and economic rent, should not be overemphasized. Even the industrial capitalist's profit results, upon examination, not from actually making and doing things, but from controlling access to the conditions under which others are allowed to do so. The profit from manufacturing entails the extraction of economic rents, in the form of surplus unpaid labor which results from the institutional power of the capitalist.

The actual production process, if analyzed in terms of material flow, is at every single step of the way, from extraction of raw materials to the stocking of retail shelves, nothing but a series of actions by labor on natural resources, with different groups of workers constantly advancing their streams of production to one another and acting further on them. At no point in the process does the capitalist investor actually make or do anything; they do not construct actual machinery out of piles of money. Their property right consists entirely of a legal right to allocate the physical products of labor, enabling them to preempt the avenues by which the social labor of multiple groups of workers acting on nature can be coordinated. This legal right extends not merely to a property title to the plant and production machinery, but the conception of the credit function as "lending against" accumulated wealth and legal restriction of the credit function to those with stores of accumulated wealth (as opposed to a simple accounting mechanism for coordinating production flows).

This artificial restriction on the performance of the credit function enables capitalists to interpose themselves between different groups of producers, and present themselves as creating value rather than simply capturing value created by others. The process was described well 200 years ago by Thomas Hodgskin, who was both a socialist and a classical liberal:

Starboard Value ("a hedge fund that specialized in buying out and killing off companies, pocketing billions while destroying profitable businesses"), which bought out first Red Lobster and then Olive Garden, pursued the same strategy.

> Starboard Value's game was straightforward: buy a business, load it with debt, sell off its physical plant – the buildings it did business out of – pay itself, and then have the business lease back the buildings, bleeding out money until it collapsed.[86]

"Real estate separation," one facet of Starboard's larger asset-stripping agenda, is a common practice among asset managers.

> Darden, owner of LongHorn Steakhouse, Capital Grille and other chains [as well as Olive Garden], "has the largest real estate portfolio in the casual dining industry, owning both the land and buildings on nearly 600 stores and the buildings on another 670," Starboard Value writes. "We believe that a real estate separation could create approximately $1 billion in shareholder value."…
>
> This is a more common technique than you might realize. Private equity firms often buy businesses with lots of real estate assets, like nursing homes, restaurants or retail outlets. They then split the company in two: one owns all the real estate, and one manages the rest of the business. The operating company now has to lease back the real estate from the property company, paying rent on what it used to own. The private equity firm, meanwhile, can take profits from the lease payments or by selling the entire real estate portfolio, making back its

[86] Doctorow, "The long lineage of private equity's looting."

> worthy of care at the veterinary hospitals conveniently housed in roughly half their 1,500 stores, they do not deem them worthy of euthanasia. And when their tiny organs finally capitulate, their bodies are also not deemed worthy of incineration. A half dozen current and former PetSmart employees told Vice News their freezers regularly overflowed with dead animals, and managers would periodically order cashiers and groomers to dispose of them on their own time, between shifts, in random dumpsters or whatever, in violation of an official PetSmart policy requiring the bodies to be transferred weekly to a veterinary crematorium.

Despite soaring profit margins, PetSmart can't afford to provide humane environments for either workers or animals. Why? Because of the way — standard for private equity acquisitions — in which it was acquired. The cost of acquisition, $30 billion, was loaded onto PetSmart as debt; that means that, from the get-go, a productive and profitable enterprise was saddled with a mountain of debt by stripping it of everything that made it productive and profitable. Or as Maureen Tkacic put it,

> its owners had legally stolen $30 billion from the balance sheet, buying the company with a minuscule down payment, siphoning off cash and assets into its own pockets, and forcing the retailer to submit to a punishing payback plan that sucks every last penny the stores generate into usurious interest payments.[85]

[85] Maureen Tkacik, "Days of Plunder," *The American Prospect*, June 2, 2023 <https://prospect.org/culture/books/2023-06-02-days-of-plunder-morgenson-rosner-ballou-review/>.

> Betwixt him who produces food and him who produces clothing, betwixt him who makes instruments and him who uses them, in steps the capitalist, who neither makes nor uses them, and appropriates to himself the produce of both. With as niggard a hand as possible he transfers to each a part of the produce of the other, keeping to himself the large share. Gradually and successively has he insinuated himself betwixt them, expanding in bulk as he has been nourished by their increasingly productive labours, and separating them so widely from each other that neither can see whence that supply is drawn which each receives through the capitalist. While he despoils both, so completely does he exclude one from the view of the other that both believe they are indebted him for subsistence.[17]

And such artificial rights, under capitalism as much as under feudalism, have always been used to impede the use of resources to their full productive capacity. Hodgskin — again — observed this phenomenon in regard to both capital and land:

> If there were only the makers and users of capital to share between them the produce of their co-operating labour, the only limit to productive labour would be, that it should obtain for them and their families a comfortable subsistence. But when in addition to this, which they must have whether they be the owners of the capital or not,

[17] Thomas Hodgskin, "Labour Defended against the Claims of Capital: Or the Unproductiveness of Capital proved with Reference to the Present Combinations amongst Journeymen" (1825). Marxists.org <https://www.marxists.org/reference/subject/economics/hodgskin/labour-defended.htm>.

> they must also produce as much more as satisfies the capitalist, this limit is much sooner reached. When the capitalist, being the owner of all the produce, will allow labourers neither to make nor use instruments, unless *he* obtains a profit over and above the subsistence of the labourer, it is plain that bounds are set to productive labour much within what Nature prescribes.[18]
>
> …It is… evident, that the labour which would be amply rewarded in cultivating all our waste lands, till every foot of the country became like the garden grounds about London, were all the produce of labour on those lands to be the reward of the labourer, cannot obtain from them a sufficiency to pay profit, tithes, rent, and taxes.[19]

Ultimately, even under industrial capitalism, the distinction between material and immaterial rights was in large part artificial. Rents on material assets rested, not on actual physical possession of them, but on immaterial, socially constructed claims to control the use of those assets; conversely, immaterial rights like intellectual property consisted of the right to impede the action of labor on actual physical reality, just as much as did legal title to a factory or tract of arable land.

It's also important to remember that, while ideologists of liberal capitalism like Smith and Ricardo attacked the parasitism of the landed classes, and industrial capital as such won a few battles like the repeal of the Corn Laws, landed

[18] Hodgskin, *Popular Political Economy*. Four lectures delivered at the London Mechanics Institution (1827). Online Library of Liberty <https://oll.libertyfund.org/title/hodgskin-popular-political-economy-four-lectures-delivered-at-the-london-mechanics-institution>.

[19] Hodgskin, *The Natural and Artificial Right of Property Contrasted* (1832). Online Library of Liberty <https://oll.libertyfund.org/title/hodgskin-the-natural-and-artificial-right-of-property-contrasted>.

himself and his hedge fund." Under this debt load, Sears laid off tens of thousands of workers and its revenue fell by half. Finally, despite repeatedly selling off operating assets to stay solvent, it went under.[84]

Both human workers and the animals for sale at PetSmart exist under absolutely squalid conditions because of the imperatives of private equity.

> It had somehow never occurred to me how much of the average PetSmart worker's job involves managing the corpses of dead animals. Some of them show up dead on arrival; some die in the backroom sick area if managers consider them too visibly ill to sell; some die on the showroom floor of infectious diseases transmitted through filthy cages; some die of malnutrition, caused by budget cuts or when the company fails to schedule a staffer for feeding duty; some die of heatstroke and hypothermia during power outages that stretch as long as a week because PetSmart is too cheap to equip stores with backup generators; and some even die from the neglect of undertrained $9-an-hour pet sitters and groomers — though most of those workers love animals so much they are willing to sign neo-feudal "training repayment" contracts that force them to pay PetSmart thousands of dollars if they don't last two years in the job.
>
> But however they die, the animals tend to go slowly, because not only do PetSmart's owners not deem unsold guinea pigs or bearded dragons

[84] Robert Kuttner, "It Was Vulture Capitalism that Killed Sears," *The American Prospect*, October 16, 2018 <https://prospect.org/economy/vulture-capitalism-killed-sears/>.

> said. The company eliminated positions, loading responsibilities onto other workers. Schedules became unpredictable. Employees had to pay more for fewer benefits, Reinhart recalled….
>
> Saddled with its new debt…, Toys "R" Us had less flexibility to innovate. By 2007, according to *Bloomberg*, interest expense consumed 97 percent of the company's operating profit. It had few resources left to upgrade its stores in order to compete with Target, or to spiff up its website in order to contend with Amazon. "It's true that they couldn't respond to Amazon," Eileen Appelbaum, a co-director of the Center for Economic and Policy Research, told me. "But you have to ask yourself why."[82]

KKR and Bain also sold off all of Toys R Us's real estate assets and forced it to lease them back[83] (the same strategy private equity vultures employed with Olive Garden, as we will see below).

Sears, likewise, was "a prime example of how hedge funds and private-equity companies take over retailers, encumber them with debt in order to pay themselves massive windfall profits, and then leave the retailer without adequate operating capital to compete." In 2005, hedge fund manager Edward Lampert bought Sears, merged it with Kmart, loaded them with debt, "and used some of the debt on stock buybacks to pump up the share price and enrich shareholders, notably

[82] Bryce Covert, "The Toys 'R' Us Bankruptcy and Private Equity," *The Atlantic*, July/August 2018 <https://www.theatlantic.com/magazine/archive/2018/07/toys-r-us-bankruptcy-private-equity/561758/>.

[83] Derek Seidman, "Labor Organizers Launch a New Model for the Fight Against Private Equity," *Truthout*, May 9, 2023 <https://truthout.org/articles/labor-organizers-launch-a-new-model-for-the-fight-against-private-equity/>.

elites on the whole were always a core part of the capitalist ruling class. As already mentioned, the landed oligarchy were a major segment of the capitalist class from the beginning, and were a major source of capital for industrialization.

Likewise, global capitalism has taken the form it has in large part because the enclosures were reenacted on a global scale; the capitalist growth model has always depended on the artificial abundance and cheapness of enclosed land and natural resources. Outside the writings of the classical political economists, relations between agrarian and industrial capitalists throughout the history of capitalism have been at least as collaborative as confrontational.

Christophers points this out in regard, specifically, to the history of capitalism in Great Britain:

> One of the great ironies of the political-economic history of the United Kingdom is that, despite its status as the birthplace of the Industrial Revolution, it has never truly been an industrial nation – culturally, politically, or indeed economically. 'Workshop to the world' it may famously have been for a few short decades in the nineteenth century; but the reality is that, from the earliest days of its capitalist odyssey, the UK and those who steered and profited from its economy were predominantly rentierist, rather than industrialist – focused on having, rather than doing.
>
> Central to this issue were land and landowners. Noting the historical fact – some would say curiosity – that traditional agrarian classes 'either led or survived every major political upheaval that opened the way to the modern capitalist state, not only in Europe but in North America and Japan as well', Perry Anderson has argued that nowhere did those tenacious traditional landowning classes

> prosper, both politically and economically, from the transition to capitalism more than in the UK: 'The English estateholders had no rivals in this regard.' For reasons including the particular thoroughness with which peasants were divorced from the means of production in the countryside, agriculture in the UK assumed a capitalist cast more rapidly and more comprehensively than anywhere else in Europe. So, consequently, did the nation's major landowners, who by at least a century in advance of the Industrial Revolution had become what Anderson describes as 'a capitalist stratum proper'.[20]

The Forms and Scope of Rent

Among the forms of economic rent are landlord rent, interest on credit and monopoly returns on other financial services, returns on intellectual property (including, in the broadest sense, the profits of cloud-based sharing, social media, and retail platforms), oligopoly markups, and the price component represented by producer surpluses from entry barriers of all kinds.

The original and paradigmatic form of economic rent extraction is landlord rent. We already examined its basic functioning above, in discussing the theoretical formulations of David Ricardo and Henry George. By its very nature, it amounts to the collection of unearned wealth derived from value created by the rest of society.

In the era of monopoly capital, from the late 19th century on, the cartelization of major industries under oligopoly market structures has assumed increasing importance as a source of economic rent. Oligopoly markup, enabled by administered

[20] Christophers, *Rentier Capitalism*, p. 41.

> — and astounding — 20,000 premature deaths over a 12-year period, according to a recent working paper from the National Bureau of Economic Research. Similar tales of woe abound in mobile homes, prison health care, emergency medicine, ambulances, apartment buildings and elsewhere. Yet private equity and its leaders continue to prosper, and executives of the top firms are billionaires many times over.[80]

The 2017 Toys R Us bankruptcy, after vulture capitalists loaded it up with debt and cashed out, became the paradigmatic example of private equity in the American press. It paid out $8 million in executive bonuses right before declaring bankruptcy — but no severance pay for its 33,000 workers. KKR and Bain Capital — public anger toward the latter of which Mitt Romney condemned as prejudice against "the successful" — bought it out in 2005, saddling it with $5 billion in acquisition debt.[81]

The mismanagement of the company, including starving of investments it needed to remain competitive, was straight out of the private equity playbook.

> But she noticed a difference after the private-equity firms Bain Capital and Kohlberg Kravis Roberts, along with the real-estate firm Vornado Realty Trust, took over Toys "R" Us in 2005. "It changed the dynamic of how the store ran," she

[80] Brendan Ballou, "Private Equity Is Gutting America — and Getting Away With It," *New York Times*, April 28, 2023 <https://www.nytimes.com/2023/04/28/opinion/private-equity.html>.

[81] Abha Bhattarai, "'How can they walk away with millions and leave workers with zero?' Toys R Us workers say they deserve severance," *Washington Post*, June 1, 2008 <https://www.washingtonpost.com/news/business/wp/2018/06/01/how-can-they-walk-away-with-millions-and-leave-workers-with-zero-toys-r-us-workers-say-they-deserve-severance/>.

Indeed, asset managers — especially in cases of closed-end funds — have strong incentives to avoid capital expenditures altogether.

> If asset managers that run closed-end funds are incentivised to squeeze operating expenditures associated with real-asset investments, they have an even greater incentive to avoid capital expenditures – that is, expenditures that are expected to provide utility beyond the very near term. After all, if the overriding objective is to exit within, say, three to five years of investment, there will in general be no reason to spend money whose returns would be realised wholly or primarily beyond that limited time horizon. It would be economically irrational to do so; and the closer to exit the asset manager edges, needless to say, the smaller the incentive becomes to invest for the long term.
>
> And thus we arrive at the real-asset asset manager's… golden rule… to avoid, generally speaking, any capital expenditure.[79]

Brendan Ballou at the *New York Times* summarizes private equity's record of destruction:

> Companies bought by private equity firms are far more likely to go bankrupt than companies that aren't. Over the last decade, private equity firms were responsible for nearly 600,000 job losses in the retail sector alone. In nursing homes, where the firms have been particularly active, private equity ownership is responsible for an estimated

[79] Christophers, *Our Lives in Their Portfolios*, pp. 179–180.

pricing and the price-leader system, is a profit extracted externally from the consumer via unequal exchange rather than surplus labor extracted internally through the production process. An FTC study on oligopolies in the 1960s estimated that "if highly concentrated industries were deconcentrated to the point where the four largest firms control 40% or less of an industry's sales, prices would fall by 25% or more."[21] In industries under oligopoly control the typical behavior, as Paul Goodman put it, is "competing with fixed prices and slowly spooned-out improvements."[22]

Rents on the supply of credit — i.e., usurious interest charges — result from laws that privilege particular commodities as money, or restrict the function of supplying credit to the possessors of one form or another of stockpiled wealth. This legal framework reflects largely unstated assumptions which Schumpeter lumped together in the category of "money theories of credit" (as opposed to the "credit theories of money" put forward by thinkers like Thomas Greco and Bernard Lietaer, among others). Money theories of credit, which Schumpeter dismissed as entirely fallacious, assume that banks "lend" money (in the sense of giving up use of it) which has been "withdrawn from previous uses by an entirely imaginary act of saving and then lent out by its owners. It is much more realistic to say that the banks 'create credit,' than to say that they lend the deposits that have been entrusted to them." The credit theory of money, on the other hand, treats finances "as a clearing system that cancels claims and debts

[21] Mark J. Green, et al., eds., *The Closed Enterprise System*. Ralph Nader's Study Group Report on Antitrust Enforcement (New York: Grossman Publishers, 1972), p. 14.

[22] Paul Goodman, *People or Personnel*, in *People or Personnel* and *Like a Conquered Province* (New York: Vintage Books, 1964, 1966), p. 58.

and carries forward the difference…."[23] If credit were treated purely as an accounting system, and money a unit of account, it could be organized entirely as a system of horizontal flows between groups of producers advancing production streams to one another, with no stocks of accumulated wealth required. Restricting the function to possessors of stockpiled wealth — whether savings or bank reserves — enables lenders to charge a monopoly price for it.

As Christophers points out, the price of credit hinges not so much on its technical "scarcity" as on restrictions on the right to issue it.

> In truth, the economics of rent have never been only about the scarcity of the asset that the rentier controls. Indeed, the clue is right there in the word 'controls': the conditions under which an asset is held and commercialized are just as important to its capacity to generate rents as the conditions of its materialization in the world. An asset can be both highly valuable and incredibly scarce and yet wholly incapable of generating rents if scarcity cannot be attached to the rights to access and commercially exploit it. Equally, rent is out of the question if an asset can be readily protected by secure private property rights but it exists and is accessible in abundance. Opportunities to earn rent are predicated on the scarcity both of an asset and of the power to monetize it.
>
> Recognition of such power is another key ingredient that was missing from Keynes's famous critique of the functionless investor, and his call for her euthanasia. To be sure, Keynes knew

[23] Joseph Schumpeter, *History of Economic Analysis*. Edited from manuscript by Elizabeth Boody Schumpeter (New York: Oxford University Press, 1954), p. 717, 1114.

> Hence, if trouble arises in repaying the debt, it is not the investment fund, still less its general partner, that is on the hook.[76]

The pressures of short-termism mean that long-term capital investment is only undertaken when it can be monetized for returns in the short-term.[77]

> Some businesses acquired through leveraged buyouts are struggling before the acquisition, but they all struggle after the buyout. After all, once the business has been acquired, it has a huge new debt load: the money that was borrowed against its assets to pay for it to be taken over. The new owners typically commemorate their purchase by paying themselves huge special dividends and emptying the business's coffers, and then set about finding "efficiencies" that the business's precarious, debt-heavy position demands.
>
> Typically, this means some combination of selling and laying off assets and workers. Physical plants are sold off and either leased back or done away with altogether, in favor of outsourced suppliers, sometimes overseas where labor is cheap. Lifelong staff are fired — with unionized staff preferentially targeted for cuts — and either replaced by cheaper workers, or by colleagues who are now expected to do two (or three, or four) employees' work.[78]

[76] Christophers, *Our Lives in Their Portfolios*, p. 64.

[77] *Ibid.*, p. 183.

[78] Rebecca Giblin and Cory Doctorow, *Chokepoint Capitalism: How Big Tech and Big Content Captured Creative Labor Markets and How We'll Win Them Back* (Boston: Beacon Press, 2022), pp. 40–41.

> each more consequential and depraved than the last.
>
> As PE shows that it can turn profitable businesses into gigantic windfalls, sticking the rest of us with the job of sorting out the smoking craters they leave behind, more and more investors are piling in.[74]

Another colorful description of the private equity model came from Thomas Katterton Williams on Bluesky: "The answer to so many questions—why did this chain go out of biz, why are durable goods so flimsy, whatever happened to this believed publication—is 'it wasn't returning 300% to the worst assholes in the entire world.'"[75]

The key point is that it's the acquired firm — not the private equity buyers — that takes on the acquisition debt, and the cost of servicing it comes out of its revenues.

> Crucially, when investing with leverage in infrastructure or housing, it is not the investment fund itself that borrows money and subsequently shoulders the debt. Rather, the debt goes onto the balance sheet either of the company that the fund has acquired or – as for example in the case of the acquisition not of a company but of a physical asset such as an apartment block or wind farm – of a holding company established by the asset manager to hold the acquired asset. Furthermore, it is usually so-called nonrecourse debt, meaning that creditors only ever have a potential claim specifically on those assets against which the debt is collateralised.

[74] Doctorow, "The long lineage of private equity's looting," *Pluralistic*, June 2, 2023 <https://pluralistic.net/2023/06/02/plunderers/>.

[75] Thomas Katterton Williams (@literally.party), Bluesky, November 27, 2023 <https://staging.bsky.app/profile/literally.party/post/3kf7stcc7ch2d>.

the rentier had power. But this was the power specifically and only to control the supply of capital, and thus maintain its scarcity. Absent from the General Theory and Keynes's other writings is any sense that the rentier has power to control the price of capital other than through maintaining its scarcity – or, more generally, through shaping the wider currents of supply and demand. As we have seen, Keynes believed supply (of cash) and demand (for credit) determined the rate of interest: this was why increasing supply to the extent required to end the scarcity of capital was deemed sufficient to put paid to the rentier's 'bonus'. Do banks have the power to command interest-based rents in a world where capital is no longer scarce? Keynes, at least implicitly, suggested not.

But he was wrong about this – a fact of which the performance of UK-based banks in the period since the financial crisis provides unequivocal evidence. Capital is no longer scarce – post-crisis UK monetary policy has seen to that, having 'flooded the market with cheap money', in the words of one commentator. Real interest rates, as we have seen, have been stuck for a decade at lows not seen since the 1970s (and then only fleetingly). But the classical financial rentier has continued to make hay….

If substantially stretched spreads represent the proximate explanation for this good fortune, the more interesting and important question concerns how, in turn, we should understand them. How, in short, has it been possible for UK-based banks to realize these spreads? It plainly has nothing to do with supply (which is plentiful) and demand.

This is not asset scarcity in action; rather, the only credible explanation is scarcity of power. What the above developments highlight is the enormous power of the UK banking sector to subvert the dynamics of supply and demand by virtue of the fact that this power is itself scarce. The Bank of England's error in assuming or trusting that commercial banks would pass on its rate cuts to their borrowers was in thinking, like Keynes, that supply and demand rule – or, in other words, that financial markets, where supply and demand for capital interact, have power over the banks operating in those markets. Developments of the past decade show that they do not; big banks are not meek price-takers, but price-makers. They can take the low borrowing rates available from the market with one hand and also take (charging their own borrowers rates appropriate for a scenario of capital scarcity, but in a world where capital is not scarce) with the other.

The capacity to pull off this trick is in fact largely innate. Under capitalism, private banks have long had almost complete control over the supply of new credit. 'In modern economies, such as the UK', Laurie Macfarlane and his colleagues note, 'money in circulation created by the state – physical cash – only represents around 3% of the total money supply. The remaining 97% is lent in to economies as the digital IOUs of commercial banks – the deposits that are entered in to our bank accounts when banks make new loans.' In theory, competition between banks should prevent them from abusing this innate, privatized

> to increase their profits rather than channel the proceeds into other forms of investment, such as green technology. Macquarie, the Australian bank which used post-privatization acquisitions to become one of the world's largest infrastructure investors, quickly became known for securing additional debts against these assets so that more of their revenues were channelled into interest payments, alongside distributions to shareholders. After acquiring Thames Water in 2006, it used securitization to raise the company's debt from £3.2 billion to £7.8 billion by 2012, while avoiding major infrastructure investment…[72]

As Cory Doctorow describes it, private equity is "an 'investment' system that loads up useful, functioning real-economy businesses with debt, extracts all their value, and then leaves them to fail."[73] It bears close resemblance to a Mafia practice, with the difference that it's legal.

> Fans of the Sopranos will remember the "bust out" as a mob tactic in which a business is taken over, loaded up with debt, and driven into the ground, wrecking the lives of the business's workers, customers and suppliers. When the mafia does this, we call it a bust out; when Wall Street does it, we call it "private equity."…
>
> It's a good racket – for the racketeers. Private equity has grown from a finance sideshow to Wall Street's apex predator, and it's devouring the real economy through a string of audacious bust outs,

[72] *Ibid.*, p. 107.

[73] Cory Doctorow, "Private equity's healthcare playbook is terrifying," *Pluralistic*, May 21, 2020 <https://pluralistic.net/2020/05/21/profitable-butchers/#looted>.

> ing rent as well as profit. Mainstream opinion, meanwhile, continued to view banks as intermediaries which, in charging to connect buyers and sellers (or borrowers and savers), made their income by capturing value from others rather than creating it themselves. Indeed today, if we use the value-added formula, we find that the financial sector, far from contributing 7.2 per cent of GDP to the UK economy and 7.3 per cent to the US (as the 2016 national accounts showed), in fact makes a contribution to output that is zero, or even negative. By this yardstick it is profoundly, fundamentally unproductive to society.[70]

How Asset Management Destroys the Productive Capacity and Guts the Value of Its Acquisitions. Aside from the FIRE economy being a diversion of resources from productive sectors, rentiers — private equity or hedge funds — are also prone to destroying the productive capacity of any enterprises they acquire in the industrial and service sectors. They are likely to treat their existing assets as cash cows for asset stripping.

"[Hyman] Minsky charted the way in which the banking system would eventually end up moving to 'speculative finance', pursuing returns that depended on the appreciation of asset values rather than the generation of income from productive activity."[71]

> According to theories that view the financial sector as productive, ever-expanding finance does not harm the economy; indeed, it actually facilitates the circulation of goods and services. Yet all too often investment funds and banks act

[70] *Ibid.*, p. 104.

[71] *Ibid.*, p. 116.

> power. But that is only the theory. Ownership of the vast stock of UK banking system assets…, and with it control over the pricing of those assets at the moment of their creation, is highly concentrated – and it has become more so in the past two decades. That is to say, the inherently scarce power to create, price and monetize credit has become scarcer.[24]

Mariana Mazzucato, similarly, argues that the "deregulation" regime lobbied for by banks did not extend to an actual full deregulation that extended to abolishing the state's power to license banks. To maintain high profits, banks needed the state's help to exclude potential competitors. The use of licenses to restrict competition between banks empowered them to control the pace of money creation.

> That banks create money is still a highly contested notion. It was politically unmentionable in 1980s America and Europe, where economic policy was predicated on a 'monetarism' in which governments precisely controlled the supply of money, whose growth determined inflation. Banks traditionally presented themselves purely as financial intermediaries, usefully channelling household depositors' savings into business borrowers' investment. Mainstream economists accepted this characterization, and its implication that banks play a vital economic role in 'mobilizing' savings. Banks are not only empowered to create money as well as channel it from one part of the economy to another; they also do remarkably little to turn households' savings into business investment. In fact, in the US case, when the flow of funds is

[24] Christophers, *Rentier Capitalism*, pp. 108, 110–111.

> analysed in detail, households 'invest' their savings entirely in the consumption of durable goods while large businesses finance their investment through their own retained profits.
>
> They also had to overlook the fact that money appears from nowhere when firms or households invest more than their savings, and borrow the difference. When a bank makes you a loan, say for a mortgage, it does not hand over cash. It credits your account with the amount of the mortgage. Instantly, money is created.... As a matter of fact, only about 3 per cent of the money in the UK economy is cash (or what is sometimes called fiat money, i.e. any legal tender backed by government). Banks create all the rest. It wasn't until after the 2008 crisis that the Bank of England admitted that 'loans create deposits', and not vice versa.[25]

Other sources of rent include intellectual property like patents and copyright. Patents played a central role in cartelizing the industrial economy from the late 19th century on, and enabling corporate enclosure of the benefits of technological progress; their role has been even more central, over the past generation, in enabling corporations to enclose outsourced production and global supply chains within corporate walls. Copyright was relatively marginal in importance until recently, but has been the central driver of media and platform enshittification in the digital era.

[25] Mariana Mazzucato, *The Value of Everything: Making and Taking in the Global Economy* (Penguin, 2018), pp. 112–113. All page references to this book will be from CloudConvert's pdf conversion of the epub version hosted by Library Genesis at <https://library.lol/main/7BD7A9996DE444F66BEB6B856056899E> (downloaded Oct. 11, 2023).

time, losing their early preference for internal financing of investment out of retained profit. In practice, numerous studies find that firms continue to finance most of their investment (in production and new product development) internally through retentions, because external financers know less about their activities and offset their greater risk by demanding a higher return. 2 And over time, financial markets should, by gaining efficiency, be able to expand at the expense of banks, which are usually explained as an alternative mechanism for channelling funds from savers to borrowers when equity and bond markets are insufficiently developed and information isn't flowing freely. Yet even in modern capitalist economies banks have entrenched their role at the centre of the financial universe, to the extent of commanding wholesale rescue when their solvency and liquidity drained away in 2008.[69]

The 'banking problem' arose because, as the twentieth century progressed, banks' role in fuelling economic development steadily diminished in theory and practice – while their success in generating revenue and profit, through operations paid for by households, firms and governments, steadily increased. A fast-expanding part of the economy in the middle of the twentieth century was not being accounted for. The economists (like Schumpeter and Gerschenkron) who had ascribed banks a key role in development were nevertheless clear that they achieved this through exercising a degree of monopoly power, collect-

[69] Mazzucato, *The Value of Everything*, pp. 102–103.

> The monopoly power inherent to rentierism, by contrast, is generally inimical to dynamism and innovation. Spared the coercive forces of competition buffeting other capitalists, the rentier ordinarily opts for a quiet life, focusing her energies on sweating existing income-generating assets – shoring up the defences arrayed around them, fighting any attempts to stem the flows of money they elicit – rather than, for example, innovating in the interest of developing new products or services.[68]

The growth of the financial sector in the neoliberal era, far from contributing to greater productivity or output, reflects — as we saw above — the stagnation of opportunities for profit in genuinely productive activity. Mazzucato challenges the conventional wisdom regarding the financial sector's economic contributions.

> Yet the belief that economic progress requires a growing financial sector, with banks at the heart of it, is counter-intuitive on a number of counts. If financial intermediaries promote economic growth by mobilizing capital and giving it better uses, national output (GDP) could be expected to grow faster than financial-sector output, thus diminishing its share of GDP. This must indeed be the case for many of the most successful 'newly industrializing countries', if – as they claim – the US and UK financial sectors have outgrown their home economies through the export of capital and services to the rest of the world. If banks and financial markets become more efficient, firms should make increased use of their services over

[68] Christophers, *Rentier Capitalism*, p. 67.

The Late Capitalist Economy

Although rent has always been a significant part of capitalism, over the past couple of generations it has grown enormously as a total share of capitalist profit. An unprecedented share of returns result from the obstruction of productive activity, or even the active dismantling of productive capacity, by rentiers who find the returns greater than those from production.

Even though rents were integral to industrial capitalism, and profit on industrial production reflected privilege of one sort or another, rent-extraction in recent years has gone far beyond the levels of the industrial era and reached the point of crowding out or actively destroying production to an unprecedented extent.

The whole point of rentier capitalism is not to extract surplus value from the production process, as in the classic industrial capitalist model, but to inflate the value of intangible assets as a source of income — even when it means impeding or destroying physical production. As Marjorie Kelly observes, "The system now *drains income flows* from production and consumption to support higher asset valuations."[26]

> A swelling of debt is one way this is accomplished. For example, when private equity buys firms, it often places substantial new debt on those portfolio companies, then uses the cash to write the PE fund and its investors a large check, in a sleight-of-hand maneuver benignly named *dividend recapitalization*. Once the PE fund sells that firm, the company is left responsible for paying down the onerous debt, which often means cutting staffing

[26] Marjorie Kelly, *Wealth Supremacy: How the Extractive Economy and the Biased Rules of Capitalism Drive Today's Crises* (Oakland: Berrett-Koehler, 2023), p. 120.

levels in order to manage the cash outflow. Income to labor has been drained. Income to finance has been boosted. And in a significant number of instances, debt-laden firms end up bankrupt.

We see the same redirection of flows inside publicly traded corporations. Major corporations in recent years have pretty much stopped investing their profits in research and innovation or in paying higher wages, instead directing the lion's share of profits to share buybacks and dividends paid out to shareholders. A study in the *Harvard Business Review* — bluntly titled "Why Stock Buybacks Are Dangerous for the Economy" — showed that between 2009 and 2018, companies in the S&P 500 used an astronomical *91 percent of net income* on these two forms of payouts to shareholders. Much of what the firms invested in turned out to be thin air: inflated stock market valuations that later deflated. (Though often not before CEOs profited handsomely.)

According to Gerald Epstein and Juan Antonio Montecino at the University of Massachusetts Amherst, if all this sucking action by finance weren't going on — if the financial sector had remained its optimal size, performing its traditional, useful roles — the typical US household would have enjoyed *double* the wealth at retirement.[27]

As an indication of the extent to which the economy has been financialized and rentierized, Guy Standing writes that the value of financial assets ("including equities, private, corporate and government debt, and deposits") quadrupled com-

[27] *Ibid.*, p. 121.

tracting tribute from those who cultivated it; and it's been expanded piecemeal through private forests, mines, aquifers, and the like. But now it's being consolidated into a single conceptual category that embraces enclosing the entire biosphere, and converting the free productive gifts of nature into a revenue stream for rent-extracting private owners.

The Extractive Economy and Enshittification

In functional terms, the growing scale of rent as a share of total profit means an economy in which an increasing amount of investment takes the form of extraction or value-destruction rather than production. An unprecedented amount of profit comes from the ability to thwart production and progress by holding things out of use or actually destroying them. This new model is variously called "strip-shop capitalism" and "vulture capitalism," and its effects on productivity and quality are perfectly encapsulated in Cory Doctorow's term "Enshittification." Although Doctorow, who coined the term, uses it almost exclusively to describe the ways in which tech companies make their platforms unusable for buyers and sellers, the principle applies much more broadly to the entire rentier economy.

As Mazzucato argues, orthodox capitalist economics, with the assumption that income is distributed according to marginal productivity, ignores the possibility "that some activities perpetually earn rent because they are perceived as valuable, while actually blocking the creation of value and/or destroying existing value…."[67]

Christophers, after noting Marx's view on the centrality of competition to technological progress under capitalism, continued:

[67] Mazzucato, *The Value of Everything*, p. 22.

Ownership of water supply infrastructure by asset-management firms is most widespread in the UK. Although it has been considerably less common in the United States, the phenomenon has expanded significantly in recent years.[65]

Perhaps the most pathological illustration of the new rentier economy and the asset stripping it creates is a new category of investment asset, which recapitulates, on a higher level, the original model of land rent as paradigm: "ecosystem services."

> In one paradigm, Wall Street is laying plans to begin extracting wealth from ecosystem services through Natural Asset Companies (NACs), a new vehicle announced in 2021 by the New York Stock Exchange and Intrinsic Exchange Group. It's about "pioneering a new asset class," the sponsors said, which will capture and convert the productive value of natural assets like forests, water, coral reefs, and farms into investor returns. "Natural assets produce an estimated $125 trillion annually in global ecosystem services, such as carbon sequestration, biodiversity and clean water," the NYSE website exulted.
>
> Linger a moment over that extraordinary number: $125 *trillion* — the mouthwatering wealth extraction to be realized. For context, consider that the total value of the US stock market is $46 trillion. That means so-called ecosystem services — the natural world, *life* — is "worth" *almost three times as much*.[66]

The practice has been around to a considerable extent, obviously, ever since the first stratum of land-owners began ex-

[65] *Ibid*., pp. 121–122.

[66] Kelly, *Wealth Supremacy*, p. 17.

pared to global GDP from 1980 to 2007.[28] And according to Mazzucato, starting in the early 1980s U.S. financial sector profits began rising from their steady 15–20 percent share of total corporate profits during the postwar period, eventually peaking at over 40% in the early 21st century. Although it fell during the Great Crash, it peaked again at 35%[29] and has never fallen below the 20s.[30]

> Today, the sector has sprawled way beyond the limits of traditional finance, mainly banking, to cover an immense array of financial instruments and has created a new force in modern capitalism: asset management. The financial sector now accounts for a significant and growing share of the economy's value added and profits. But only 15 percent of the funds generated go to businesses in non-financial industries. The rest is traded between financial institutions, making money simply from money changing hands…. Or, put another way: when finance makes money by serving not the 'real' economy, but itself.[31]

But equally important "is the effect of financial motives on non-financial sectors, e.g. industries such as energy, pharmaceuticals and IT," which includes such things as "the provision of financial instruments for customers – for example, car man-

[28] Guy Standing, *The Corruption of Capitalism: Why Rentiers Thrive and Work Does Not Pay* (Hull, UK: Biteback Publishing, 2017), pp. 29–30. All page references to this book will be from CloudConvert's pdf conversion of the epub version hosted by Library Genesis at <http://library.lol/main/A9E0D32C233011454C99E67DC394CF2A> (downloaded Oct. 8, 2023).

[29] Mazzucato, *The Value of Everything*:, pp. 133, 134 (graphic).

[30] Timothy Taylor, "Financial Sector Share of Profits," *Conversable Economist*, September 13, 2022 <https://conversableeconomist.com/2022/09/13/financial-services-share-of-profits>.

[31] Mazzucato, *The Value of Everything*, p. 131. A

ufacturers offering finance to their customers – and, more importantly, the use of profits to boost share prices rather than reinvest in actual production.[32]

> So-called 'idea-intensive' firms – in pharmaceuticals, media, finance and information technology – now account for 31 per cent of the profits of Western corporations, up from 17 per cent in 1999. They are global rentiers, deriving income from possession of 'intangible assets' such as patents, brands and copyright under a strengthened intellectual property regime constructed since the 1990s.
>
> One US study suggests that the whole of the decline in the labour share is due to a rise in the capital share of intellectual property, in which the intellectual property owners have captured all the resulting productivity gains.[33]

Intellectual property is also the main legal bulwark for the global economy. The neoliberal model of the past forty years has been to outsource increasing shares of actual production to nominally independent contractors in low-wage countries of the Global South, while using intellectual property, marketing, and finance to enforce a legal monopoly on disposal of the finished product and integrate networked logistic chains under corporate control.

This is what Naomi Klein, in *No Logo*, calls the "Nike model." She quotes John Ermatinger, then head of Levi Strauss's American division:

> Our strategic plan in North America is to focus intensely on brand management, marketing and

[32] *Ibid.*, p. 131.
[33] Standing, *The Corruption of Capitalism*, pp. 27, 43n.

> substantial infrastructural assets; and those assets were typically used for the delivery to the public of services generally referred to as 'utilities', including but not limited to energy supply (electricity and gas), water and sewerage, telephony, and certain forms of transport.[60]

"One common form is the concession, which is a time-limited franchise to manage and operate an asset and – crucially – receive any income that it generates. The body granting the concession is frequently, but not always, in the public sector."[61]

> Alongside concessions, the other principal type of long-term contract through which asset managers hold physical infrastructure assets is the much-discussed public – private partnership (PPP). Although it takes somewhat different forms in different countries, the core elements of a PPP can be simply stated. It involves the public sector commissioning a private-sector actor to build and then operate – over a defined period – a physical asset of some kind, which might for instance be a road, a hospital or a school.[62]

Although asset managers outright own some privatized transportation infrastructures, privatization takes the form primarily of concessions or public-private partnership contracts.[63]

Telecom infrastructures owned by asset managers include wireless transmission, fiber-optic networks, and data centers.[64]

[60] *Ibid.*, p. 283.
[61] Christophers, *Our Lives in Their Portfolios*, p. 47.
[62] *Ibid.*, p. 48.
[63] *Ibid.*, p. 118.
[64] *Ibid.*, p. 119.

the customers are chained to their booths."[57] Bret Christophers estimates the total value of residential real estate owned by asset-management firms at around $1 trillion.[58]

A favorite target of private equity and other asset-management firms is privatized infrastructure. Christophers:

> The neoliberal era across the Global North has been an era of unprecedented privatization, and nowhere more than in the UK, which has been privatization's undisputed trailblazer since the first Thatcher administration began. Vast quantities of public assets have been sold off to the private sector (often on the cheap), in the process massively expanding the territory, in particular, of infrastructure rents – through the privatization of water supply networks, energy transmission and distribution networks, telecommunications networks, and so on….[59]
>
> Since Margaret Thatcher kick-started the programme in the early 1980s, the UK has come to be seen as the world's undisputed privatization trailblazer, and is acknowledged as such both by those broadly supportive of the project – the Financial Times refers to 'pioneering Britain' – and those resolutely opposed – Joe Guinan and Thomas Hanna, for example, describing privatization as 'a very British disease'. Less often recognized, though, is the fact that most major UK privatizations were privatizations of a very particular type. They involved the transfer to private ownership of state-owned enterprises with substantial asset bases, and more specifically

[57] *Ibid.*, pp. 110–111.
[58] *Ibid.*, p. 112.
[59] Brett Christophers, *Rentier Capitalism,* p. 62.

> product design as a means to meet the casual clothing wants and needs of consumers. Shifting a significant portion of our manufacturing from the U.S. and Canadian markets to contractors throughout the world will give the company greater flexibility to allocate resources and capital to its brands.[34]

A growing share of companies, according to Klein, "now bypass production completely."

> Instead of making the products themselves, in their own factories, they "source" them, much as corporations in the natural-resource industries source uranium, copper or logs. They close existing factories, shifting to contracted-out, mostly offshore, manufacturing.[35]

Nike "has become a prototype for the product-free brand," with many other companies following its lead in outsourcing all actual production.[36]

Advances in technology are making the actual means of physical production increasingly cheap and ephemeral — a state of affairs which threatens the traditional basis of profit. The original rationale for large-scale factory production and the wage system was the rising cost of machinery. According to John Curl, a historian of worker cooperatives, cooperative production was only viable so long as the primary means of production were general-purpose craft tools owned by individual workers. That was the basis of cooperative production as organized by Owenites in the early- to mid-19th century, when unemployed workers set up cooperative shops using their own

[34] Naomi Klein, *No Logo* (New York: Picador, 1999), p. 195.
[35] *Ibid.*, p. 197.
[36] *Ibid.*, p. 198.

tools under a common roof. The cost of production machinery increased astronomically during the Industrial Revolution, rendering this model obsolete. The means of production became so expensive that only the very rich, or associations of the very rich, could afford to own them. Workers were reduced to wage labor with machinery owned by someone else. The lack of capital to finance factory production was the main reason the Knights of Labor foundered in their attempts to set up cooperative production on the Owenite model.[37]

Current trends in production technology are a direct reversal of this process, and undermine the technological basis for wage labor and factory production. When goods whose production formerly required factories worth millions of dollars, come within the capability of neighborhood or community cooperative workshops with machinery costing two orders of magnitude less, the dependence of workers on the wage system is decreased. Capitalist employers are increasingly forced to compete with the possibility of self-employment or cooperative employment, driving the rate of profit down.

Intellectual property is an end-run around this tendency, eliminating the threat from small-scale means of production by workers themselves through the ownership of a legal monopoly on the right to produce the product. It represents a shift from surplus labor extraction via direct ownership of the means of production and control of the production process, to surplus extraction from controlling the conditions under which others are allowed to use their own production machinery.

As Klein puts it: "After establishing the 'soul' of their corporations, the superbrand companies have gone on to rid themselves of their cumbersome bodies…."[38]

[37] John Curl, *For All the People: Uncovering the Hidden History of Cooperation, Cooperative Movements, and Communalism in America* (Oakland, CA: PM Press, 2009), pp. 33–34.

[38] Klein, *No Logo*, p. 196.

to virtually nil in the 1980s. The three biggest alone — BlackRock, Vanguard, and State Street — between them own over 20% of shares in the typical firm.[55]

> Much of the money managed by asset managers is invested in financial assets, such as shares (in the United States, 'stocks') and bonds – but not all of it; and, in relative terms, less and less of it. In recent times, asset managers have been investing ever more of the money with which pension schemes, insurance companies and the like entrust them not in financial assets but in assets of two other kinds….
>
> The first of the two consists of various types of housing – 'multi-family' apartment blocks…, standalone homes, student housing, care homes, and even manufactured-housing ('mobile home') communities. The second kind of asset includes all those physical things typically grouped together under the capacious term 'infrastructure'. This term denotes the basic physical 'stuff' that enables modern society to function, from water-supply networks to roads, and from hospitals to electricity-transmission grids.[56]

Although asset-management companies' real estate investments have been predominantly in multi-family dwellings — apartment complexes — American companies began buying up foreclosed single-family homes on a significant scale in 2008 (although this is a phenomenon limited mainly to the United States). There has also been a growing interest in investing in mobile home parks; the owner of one company specializing in trailer parks characterized them as "like a Waffle House where

[55] *Ibid.*, pp. 23, 24.

[56] *Ibid.*, pp. 17–18.

> critical attention in terms of its implications for wider society was, interestingly, a relatively small business niche: private equity. The label 'private equity' is often used to signify a type of business – *Carlyle Group is a private-equity firm*, people will say – but it is more accurately applied to a type of asset, or what is commonly referred to as a particular 'asset class'. Private equity, in short, is one of the various things that asset managers can and do invest in – specifically, equity (company shares) that is not traded on public exchanges, as distinct from tradeable 'public equity', such as shares in Apple or Amazon. What people call private-equity firms, then, are in fact better understood as asset managers that happen to invest mainly or exclusively in the private-equity asset class.[52]

And according to Mazzucato, in the period between 2000 and 2013, the percentage of companies owned by private equity more than tripled, from roughly ten percent to roughly 37 percent. For companies worth over $500 million, the increase was from 2 percent to 12 percent.[53]

More broadly, ownership not just by private equity but by asset-managing firms of all kinds has exploded. According to Christophers, assets under management by such companies grew from "probably… not much more than $100 million" forty years ago to over $100 trillion in 2020.[54] Asset-management firms own 30–40% of the typical S&P 500 company, compared

[52] Brett Christophers, *Our Lives in Their Portfolios: Why Asset Managers Own the World* (London and New York: Verso, 2023), p. 20. Pagination is from the Cloud Convert pdf conversion of the epub version hosted by Anna's Archive at <https://annas-archive.org/md5/8206ef0443f77fbda2267fac349bf1dc>. Accessed October 21, 2023.

[53] Mazzucato, *The Value of Everything*, p. 159.

[54] Christophers, *Our Lives in Their Portfolios*, p. 20.

> Companies that were traditionally satisfied with a 100 percent markup between the cost of factory production and the retail price have been scouring the globe for factories that can make their products so inexpensively that the markup is closer to 400 percent.

And in most countries of the Global South, rather than raising wages, Western corporations' offshoring production has actually caused the labor share of value-added to fall. This is because the ownership of intellectual property puts Western corporations, to a greater extent than native employers a generation ago, in a monopsony position.[39]

Local governments are in a position of competing for contracts from Western corporations, offering

> tax breaks, lax regulations, and the services of a military willing and able to crush labor unrest. To sweeten the pot further, they put their own people on the auction block, falling over each other to offer up the lowest minimum wage, allowing workers to be paid less than the real cost of living."[40]

As one Indonesian industry association leader put it: "If the authorities don't handle strikes…, we will lose our foreign buyers. The government's income from exports will decrease and unemployment will worsen."[41]

In the late capitalist economy, even corporations nominally devoted to the provision of goods and services actually make most of their profit from rent extraction — lending, IP ownership, or land ownership. For example, McDonald's:

[39] *Ibid.*, pp. 196–197.

[40] *Ibid.*, p. 206.

[41] *Ibid.*, p. 227.

> If you were to ask one hundred people what the primary business of McDonald's is, ninety-nine would doubtless say something along the lines of 'fast-food production and retail'. But this is simply not the case. McDonald's is chiefly a rentier. Worldwide, approximately 93 per cent of McDonald's restaurant businesses are owned and operated by franchisees – independent individuals or companies – rather than by McDonald's Corporation itself. This begs the question: if those franchised restaurants are independent of McDonald's as a corporate entity, how does the latter make money from them?
>
> The answer is by licensing its intellectual property: letting its franchisees use its brand name, its design features (the famous Golden Arches, for example), its restaurant layout templates, its menus, its recipes – in short, its intellectual assets. For the privilege, McDonald's franchisees hand over an initial franchise fee (giving them franchise rights for a typical term of twenty years) plus an ongoing royalty calculated as a percentage of net sales (gross sales minus any local sales tax), which in the UK case is currently set at 9.5 per cent, comprising a 5 per cent 'service fee' and a 4.5 per cent contribution to company advertising.[42]

Chain operations like McDonald's also make a substantial portion of their profit as real estate holding companies, leasing locations to franchises. As Christophers notes, "in 2018, real estate rents paid by McDonald's franchisees worldwide, totalling $7.1 billion, were nearly double their royalty payments of $3.9 billion."[43]

[42] Christophers, *Rentier Capitalism*, p. 167.

[43] *Ibid.*, p. 167.

> of bankruptcies, the overall economy would be sent into a tailspin.[50]

Financialization meant that investment went, not into new forms of production, but — as Yanis Varoufakis notes — into the buying up of control in the existing economy by private equity and asset managers of all kinds.

> With investment first knocked out by the crash of 2008 and finished off soon after by austerity, throwing new money at the financiers was never going to resurrect it. Put yourself in the position of a capitalist at a time when austerity is eliminating your customers' income. Suppose I give you a billion dollars to play with for free, i.e. at a zero interest rate. Naturally you will take the free billion but as we've established you would be mad to invest it in new production lines. So what are you going to do with the free cash? You could buy real estate or art or, better still, shares in your own company. That way, the shares in your company appreciate in value and, if you are the CEO running it, your stature and share-linked bonuses rise too. No new investment, in other words, but a lot more power in the hands of the powerful.[51]

Christophers and Mazzucato recount the explosion of asset-management ownership over the economy. Christophers writes:

> The first area of the mushrooming asset-management business to receive meaningful

[50] Magdoff and Sweezy, "The Financial Explosion" (1985), in Magdoff and Sweezy, editors, *Stagnation and the Financial Explosion* (New York: Monthly Review Press, 1987), p. 149.

[51] Varoufakis, *Techno-Feudalism*, p. 90.

dustrial capitalism cannot be restored. As Magdoff and Sweezy wrote:

> Does the casino society in fact channel far too much talent and energy into financial shell games? Yes, of course. No sensible person could deny it. Does it do so at the expense of producing real goods and services? Absolutely not. There is no reason whatever to assume that if you could deflate the financial structure, the talent and energy now employed there would move into productive pursuits. They would simply become unemployed and add to the country's already huge reservoir of idle human and material resources. Is the casino society a significant drag on economic growth? Again, absolutely not. What growth the economy has experienced in recent years, apart from that attributable to an unprecedented peacetime military build-up, has been almost entirely due to the financial explosion.
>
> We can now see why, though everyone deplores the increasingly outrageous excesses of the financial explosion and is aware of its inherent dangers, nothing is being done — or even seriously proposed— to bring it under control. Quite the contrary: every time a catastrophe threatens, the authorities spring into action to put out the fire — and in the process spread more inflammable material around for the next flare-up to feed on. The reason is simply that if the explosion were brought under control, even assuming that it could be done without triggering a chain reaction

And as actual production has been outsourced to nominally independent contractors, for many "industrial" corporations, the credit arms eclipsed manufacturing as the primary source of profit. Auto makers, in Cory Doctorow's words, "reinvented themselves as loan-sharks who incidentally made cars, lending money to car-buyers and then 'securitizing' the loans so they could be traded in the capital markets."[44] Most notably GM's finance arm — General Motors Acceptance Corporation — is its biggest profit center. Mariana Mazzucato lists a number of other prominent examples:

> In the 2000s…, the US arm of Ford made more money by selling loans for cars than by selling the cars themselves. Ford sped up the car's transition from physical product to financial commodity by pioneering the Personal Contract Plan (PCP), which allowed a 'buyer' to pay monthly installments that only covered the predicted depreciation, and trade up to a new model after two or three years rather than paying off the balance. Adopted by most other automakers, and with the additional merit of being bundled into securitizations and resold on financial markets, PCPs drove car sales to record levels, alarming only the final regulators, who wondered what would happen if (as with houses in 2008) cash-strapped contractees walked away from their vehicles and handed back the keys. Over the same period GE Capital, the finance arm of the enormous General Electric (GE) group, made around half of the whole group's earnings. Companies such as Ford and GE contributed heavily to the sharp rise in

[44] Doctorow, "Autoenshittification."

> the value of financial assets relative to US GDP in the quarter-century after 1980.[45]

More broadly, this financialization is characteristic of most of the former industrial economy. David Graeber writes:

> During most of the twentieth century, large industrial corporations were very much independent of, and to some degree even hostile to, the interests of what was called "high finance:'.... It was only in the 1970s that the financial sector and the executive classes — that is, the upper echelons of the various corporate bureaucracies — effectively fused. CEOs began paying themselves in stock options, moving back and forth between utterly unrelated companies, priding themselves on the number of employees they could lay off. This set off a vicious cycle whereby workers, who no longer felt any loyalty to corporations that felt none toward them, had to be increasingly monitored, managed, and surveilled.[46]

> Under capitalism, in the classic sense of the term, profits derive from the management of production: capitalists hire people to make or build or fix or maintain things, and they cannot take home a profit unless their total overhead — including the money they pay their workers and contractors — comes out less than the value of the income they receive from their clients or customers. Under classic capitalist conditions of this sort it does indeed make no sense to hire unnecessary workers. Maximizing profits means attention to the accredited keepers and purveyors of economic wisdom.[49]

[45] Mazzucato, *The Value of Everything*, p. 154.

[46] David Graeber, *Bullshit Jobs: A Theory* (Allen Lane, 2018), pp. 190–191.

The simple fact of the matter is that capitalism's imperative for capital accumulation has always run up against the fact — the central theme of Paul Baran and Paul Sweezy's 1966 book *Monopoly Capital* — that the ability of capitalists to reinvest their accumulated surplus is limited by the nature of the capitalist system itself. Opportunities for profitable investment in productive enterprise are limited by the lack of sufficient aggregate demand to employ existing productive capacity, let alone justify expanding it.

This tendency towards surplus capital and idle production capacity almost destroyed capitalism in the Great Depression, but thanks to massive military spending from the beginning of WWII right up to the present, combined with the destruction of most industrial plant and equipment outside the United States, the crisis was postponed for another generation. But by around 1970, with the reconstruction of physical capital in Western Europe and the Pacific Rim, the crisis resumed. The solution to the renewed crisis of surplus capital was a combination of capital export to the Third World, and a radical expansion of the FIRE economy as a sink for capital with no productive outlet.

But, contrary to the liberal reformist narrative that financialization is a deformation of capitalism, to be corrected as a step toward restoring the "good" kind of industrial capitalism that prevailed after WWII, the reality is that financialization exists out of necessity. Financialization is the reason capitalism hasn't collapsed from the renewed tendency towards surplus capital and stagnation since the 1970s. The old model of in-

[49] Harry Magdoff and Paul Sweezy, "Notes from the Editors (October 1993)," reprinted as "The Puzzle of Financialization," reprinted in *Monthly Review* 74:10 (March 2023) <https://monthlyreview.org/2023/03/01/the-puzzle-of-financialization/>.

> activity and now account for about 40 percent of all domestic profits.[48]

All of this was to a great extent unavoidable, given the structural presuppositions of capitalism and the crisis tendencies it began experiencing around fifty years ago. Thirty years ago, during the recession of the early 90s, Harry Magdoff and Paul Sweezy of *Monthly Review* wrote of the seemingly puzzling — to orthodox economics — phenomenon of the financial sector exploding while the productive economy stagnated. Neoliberal economics — as it still does — explained the finance sector's function as simply intermediating between personal savings and investment in productive enterprise.

> In search of an explanation of these seemingly contradictory happenings, you might first turn to one of the available textbooks from which our youth learn their economics. But you would be disappointed, for there you would be instructed that the function of finance is to serve production — facilitate payments, raise capital to found new enterprises or expand existing ones, etc. Production is primary, finance secondary. The two are as closely intertwined as Siamese twins: they prosper together in good times and suffer in bad. The very idea of an explosion of finance along with sagging production is nowhere hinted at, let alone explained.…
>
> …[A]n observer of the present economic scene might cry out, "Isn't there any one around here who understands how this capitalist system works?" And the honest answer would have to be that there isn't, at least not if you confine your

[48] Standing, *The Corruption of Capitalism*, pp. 28–29. Oct. 8, 2023).

paying the least number of workers the least amount of money possible; in a very competitive market, those who hire unnecessary workers are not likely to survive. Of course, this is why doctrinaire libertarians, or, for that matter, orthodox Marxists, will always insist that our economy can't really be riddled with bullshit jobs; that all this must be some sort of illusion. But by a feudal logic, where economic and political considerations overlap, the same behavior makes perfect sense.… [T]he whole point is to grab a pot of loot, either by stealing it from one's enemies or extracting it from commoners by means of fees, tolls, rents, and levies, and then redistributing it. In the process, one creates an entourage of followers that is both the visible measure of one's pomp and magnificence, and at the same time, a means of distributing political favor: for instance, by buying off potential malcontents, rewarding faithful allies (goons), or creating an elaborate hierarchy of honors and titles for lower-ranking nobles to squabble over.

If all of this very much resembles the inner workings of a large corporation, I would suggest that this is no coincidence: such corporations are less and less about making, building, fixing, or maintaining things and more and more about political processes of appropriating, distributing, and allocating money and resources. This means that, once again, it's increasingly difficult to distinguish politics and economics, as we have seen with the advent of "too-big-to-fail" banks, whose lobbyists typically write the very laws by which government supposedly regulates them,

but even more, by the fact that financial profits themselves are gathered largely through direct juro-political means. JPMorgan Chase & Co., for example, the largest bank in America, reported in 2006 that roughly two-thirds of its profits were derived from "fees and penalties;' and "finance" in general really refers to trading in other people's debts — debts which, of course, are enforceable in courts of law.

It's almost impossible to get accurate figures about exactly what proportion of a typical family's income in, say, America, or Denmark, or Japan, is extracted each month by the FIRE sector, but there is every reason to believe it is not only a very substantial chunk but also is now a distinctly greater chunk of total profits than those the corporate sector derives directly from making or selling goods and services in those same countries. Even those firms we see as the very heart of the old industrial order — General Motors and General Electric in America, for example — now derive all, or almost all, of their profits from their own financial divisions. GM, for example, makes its money not from selling cars but rather from interest collected on auto loans.[47]

Put them together — profits from franchise fees, intellectual property, real estate, and finance — and an enormous share of the "industrial economy" is actually a rentier economy whose primary source of profit comes from the power to interfere with production by others.

Rentiers, Guy Standing argues, "have been the winners of the globalization era." One study found that, "across the industrialized world," profit rose as a share of total income between the 1960s and 1990s. But rentier income — narrowly defined as return on financial assets — accounted for most of the increased profit.

[47] *Ibid*., pp. 176–177.

> Excluding capital gains from financial assets, the countries in which the rentier share increased most were, in order: France, the UK, South Korea, the USA, Germany, Australia and Belgium. By 2000, rental income from financial assets accounted for over 20 percent of income in Belgium, France, the Netherlands and the USA, with the UK and Italy catching up.
>
> If capital gains on financial assets are included, the rise in the rentier share was even greater. Here the USA stands out. The rentier share rose more than sevenfold between 1980 and 2000. By then, rental income, as narrowly defined, accounted for over a third of national income, up from about a fifth before the Global Transformation started. The share of income going to profits in non-financial sectors actually fell.
>
> Meanwhile, deindustrialisation has been relentless. During the early twentieth century, agriculture shrank to less than 3 percent of US national income, while manufacturing began its steep decline. In 1950, manufacturing accounted for 28 per cent of GDP. By the time of the crash of 2008, its share was down to 11 per cent. The symbolic year was 1985, when financial services (banking, property, insurance, advertising and marketing) first accounted for more of national income than manufacturing. The financial sector's profits – interest, rents and dividends – have continued to rise relative to those from non-financial

Kevin Carson
The Rentier Economy, Vulture Capital, and Enshittification
February 27th, 2024

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> Executives, whose compensation now increasingly took the form of stock options, began not just paying the profits to investors in dividends, but using money that would otherwise be directed towards raises, hiring, or research budgets on stock buybacks, raising the values of the executives' portfolios but doing nothing to further productivity.[107]

Marx and Engels, Graeber notes, were correct to predict that mechanized industrial production, if it continued long enough, would lead to the end of capitalism as a result of the falling rate of profit. But

> they were wrong to predict that market competition would compel factory owners to go on with mechanization anyway. If it didn't happen, it can only be because market competition is not, in fact, as essential to the nature of capitalism as they had assumed. If nothing else, the current form of capitalism, where much of the competition seems to take the form of internal marketing within the bureaucratic structures of large semi-monopolistic enterprises, would presumably have come as a complete surprise to them.[108]

The hollowing out and enshittification of private corporations, under the regime of financialization and private equity, eventually reaches a tipping point at which it becomes hegemonic for *all* organizations — at which point it spreads to non-profit and public organizations as well.

Consider, for example, the organizational transformation of both public and private universities. Over the past generation,

[107] *Ibid.*, p. 127.
[108] *Ibid.*, p. 143.

universities have experienced an explosion of administrative staff, even as they've replaced most tenured faculty with a precaritous workforce of underpaid adjuncts in the name of "cost-cutting."

Julie Chernov Hwang, a political science professor at Goucher College, describes the situation in a Twitter thread:

> Do you want to know why college tuition has become so expensive?
>
> No, not faculty salaries. Those have largely stagnated.
>
> Fancy dorms & rec centers? Yes. Partially.
>
> But another major cause you may not have considered? The massive expansion of upper tier administration.
>
> When I entered academia 17 years ago, the upper ranks of administrators consisted of a HANDFUL of deans, VPs, directors, & a provost. Now, we have exponentially more Deans, VPs & Directors, as well as EVPs, Associate Deans, & Deputy Provosts w/more being hired each year!
>
> It's not the middle & lower ranks of administration that are causing the problem. These ranks are hollowed out vis-a-vis a decade ago b/c "staff" are underpaid & overworked &, thus, don't last long. It's certainly not the lone soul heading a DEI center.
>
> When politicians criticize cost of college tuition & fees, they need to request org charts to see how admin bloat has increased from a decade, 2 decades ago & ask why. And then, call for cuts HERE, where there is actual bloat- not in departments that are already too lean.

that sponge might be used up. Circumventing any of this hardware DRM, in order to fix what the company deliberately broke, is a felony.[216]

Most despicable of all, some human tapeworms are applying the inkjet DRM strategy to *insulin pumps*.[217]

Conclusion

Throughout the history of capitalism, capitalist profit consisted for the most part of rentier income. Even the classic model of profit on industrial capital centered on the extraction of surplus labor through an unequal power relationship. But under industrial capitalism, there was at least some competitive pressure for real technical innovation and increased productivity.

We've long since reached the point where the conditions for the realization of profit directly impede technological progress and the creation of real use-value. Not only is monetized obstruction of value creation the primary source of profit, but what little progress remains amounts to gold-plated turds and the addition of bells and whistles that make things less usable. In the words of Marx, the social relations of production have become a constraint on further progress. Capitalist ownership is a set of shackles on the human intellect and imagination. The only way forward is to destroy capitalism.

[216] Cory Doctorow, "Epson boobytrapped its printers," *Pluralistic*, August 7, 2022 <https://pluralistic.net/2022/08/07/inky-wretches/#epson-salty>.

[217] Cory Doctorow, "Monopolists want to create human inkjet printers," *Pluralistic*, June 10, 2022 <https://pluralistic.net/2022/06/10/loopers/#hp-ification>.

> starters. Computers are *malleable*…. Once they add networked computers to your car, the Car Lords can endlessly twiddle the knobs on the back end, finding new ways to extract value from you….[213]

John Deere pursues the same strategy, running its tractors' DRMed proprietary software so that it can price-gouge farmers on repairs. Without the company's authorized diagnostic software at an authorized repair location, the tractor is "a very big paperweight." Many farmers have responded by obtaining pirated and jailbroken versions of John Deere software from hackers in Eastern Europe.[214]

At the height of Covid's onslaught on intensive care units, repair techs similarly thwarted predatory manufacturers and kept ventilators running by adding on a cobbled-together device from Polish hardware hackers and circumventing the machines' proprietary operating systems.[215]

The manufacturers of inkjet printers used the same strategy to limit their customers to the companies' own proprietary ink cartridges. They started out by selling half-empty cartridges as full, and using copyright law to prohibit third parties from refilling them. Then patents; then DRMing the printers to reject even cheaper, non-authorized *paper*. One company goes so far as to install (non-replaceable) sponges to soak up "excess ink," which could otherwise allegedly stain your furniture, and then brick the entire printer after a certain amount of usage because

[213] Doctorow, "Autoenshittification."

[214] Ryan Whitwam, "Farmers are pirating John Deere tractor software to stick it to the man," *ExtremeTech*, March 22, 2017 <https://www.extremetech.com/internet/246314-farmers-pirating-john-deere-tractor-software-stick-man>.

[215] Jason Koebler, "Why Repair Techs Are Hacking Ventilators With DIY Dongles From Poland," *Vice*, July 9, 2020 <https://www.vice.com/en/article/3azv9b/why-repair-techs-are-hacking-ventilators-with-diy-dongles-from-poland>.

> Ask why there are 3 IT directors, but only 2 professional staff at the IT Helpdesk for an entire college. Ask [why] are there 4 Deputy Provosts whereas a decade ago there were none. When we examine rising costs of higher end, this is one variable no one can afford to ignore.[109]

In reply Gourjoine Wade, Vice President for Student Affairs at Texas Lutheran University, stated the orthodox managerialist position: Chernov Hwang's critique was "way off base…. One also has to consider that in order to recruit and retain top talent to do the strategic work of leading the many aspects of an institution, campuses must be competitive in salary…"[110]

But his talking points in no way addressed her point. In fact they begged the question as to whether these new administrative positions actually did anything of value. The need for "competitive salaries" is irrelevant in cases where the positions being filled are themselves the result of administrative bloat/featherbedding. It also doesn't address the extent to which those "strategic aspects of leading" are what David Graeber called "bullshit jobs," and reflect the dysfunctional common institutional culture of universities and large corporations. And even stipulating that necessary positions must pay "competitive salaries," that just ignores the extent to which the standard salary for a given position reflects the pathological institutional culture of the industry as a whole.

Privatization. The same is true of public infrastructures and services which are privatized. To begin with, as noted by Colin Crouch, so-called "privatization" typically privatizes nothing but profit: "privatisation rarely, outsourcing almost

[109] Julie Chernov Hwang on Twitter, July 25, 2023 <https://twitter.com/drjchernov/status/1683535771205025798>; tweets currently available because account is locked.

[110] Gourjoine M. Wade, on Twitter, July 24, 2023 <https://twitter.com/DrGWadeSpeaks/status/1683694488659673090>.

never, results in true markets of the kind envisaged by neoclassical theory."[111]

Far from functioning in a competitive market of any kind, "privatized" state infrastructures and services typically continue to function within a web of state protections and subsidies without which they would not be viable. Nicholas Hildyard writes:

> While the privatisation of state industries and assets has certainly cut down the direct involvement of the state in the production and distribution of many goods and services, the process has been accompanied by new state regulations, subsidies and institutions aimed at introducing and entrenching a "favourable environment" for the newly-privatised industries.[112]

Most privatized infrastructures, as well as deregulated utilities, are natural monopolies. "Writing in 1968, Richard Posner defined a situation of natural monopoly as one in which 'the entire demand within a relevant market can be satisfied at lowest cost by one firm rather than by two or more'." In such cases, it would be inordinately costly to create multiple parallel competing physical infrastructures — water lines, electrical transmission lines, etc. — serving a given area.[113] And the incentive to asset strip and starve an enterprise of maintenance and other capital investment is only intensified in the case of infrastructures which are natural monopolies. "Then there is the fact that most utility businesses are natural monopolies. Why incur the expense of physically upgrading, say, a gas distribution

[111] Colin Crouch, "9. The Paradoxes of Privatisation and Public Service Outsourcing," *The Political Quarterly* 86 (2015), p. 157.

[112] Nicholas Hildyard, "The Myth of the Minimalist State," *The Corner House*, March 31, 1998 <https://www.thecornerhouse.org.uk/resource/myth-minimalist-state>.

[113] Christophers, *Rentier Capitalism*, p. 289.

by car owners, that creates endless additional points of failure — reflects a conscious and rational strategy on the part of the auto companies.

Digital control systems are the "underlying cause of a precipitous decline in car quality."

> From touch-based digital door-locks to networked sensors and cameras, every digital system in your car is a source of endless repair nightmares, costly recalls and cybersecurity vulnerabilities….
>
> What's more, drivers *hate* all the digital bullshit, from the janky touchscreens to the shitty, wildly insecure apps. Digital systems are drivers' most significant point of dissatisfaction with the automakers' products….

Nevertheless, auto makers are willing to "enshittify their products so comprehensively" because digitization is one of the best mechanisms for rent extraction ever created.

> Remember when BMW announced that it was going to rent you the seatwarmer in your own fucking car?…
>
> Not to be outdone, Mercedes announced that they were going to rent you your car's *accelerator pedal*, charging an extra $1200/year to unlock a fully functional acceleration curve…
>
> This is the urinary tract infection business model: without digitization, all your car's value flowed in a healthy stream. But once the car-makers add semiconductors, each one of those features comes out in a painful, burning dribble, with every button on that farkakta touchscreen wired directly into your credit-card. But it's just for

> reconfigure your own property so that it serves you, rather than the company's shareholders. The falling price of chips (notwithstanding our current supply-chain blip) encouraged manufacturers to deploy this strategy to monopolize all repair.
>
> The automotive sector was an early adopter of these dirty tricks. Car companies hate independent mechanics and third-party parts companies and have waged war on them for decades. By adding DRM to our cars, the auto makers found a way to block third-party parts, *and* to prevent independent mechanics from interpreting diagnostic messages….
>
> All of these switching costs may *seem* technological, but they're actually *legal*. The universality of computers means that you could absolutely switch from iOS to Android and keep running your apps in a virtual machine. There's no technical reason you can't install modified HP printer software that lets you use third-party ink. There's no *technical* reason you can't leave Facebook but continue to participate in the messaging and groups you left behind….
>
> The reason you can't do these things is that it's illegal. The reverse-engineering, scraping and other guerrilla tactics you need to accomplish these things without the manufacturers' cooperation put you at risk of prosecution under cybersecurity, copyright, trademark and other laws.[212]

The proliferation of microchips running on proprietary software in present-day cars, and the resulting brittleness and enshittification of auto design — something universally despised

[212] *Ibid*.

network if dissatisfied customers cannot switch to a different network?"[114] This should resonate with anyone who has experienced the bandwidth throttling of the typical Internet service, or who gets their lead-tainted water from a privatized utility.

Whatever "competition" is introduced into the supply of public services, either by privatizing a state-owned infrastructure or utility, or "deregulating" a regulated public utility, is almost entirely a mirage. The physical infrastructure, which is a natural monopoly, continues to be owned by one firm. The "competing" firms in the utility "market" are little more than billing services with a letterhead and post office box. In a 2003 article at Mises.org, which has since been memory holed, Tim Swanson described how the "deregulation" of a regulated utility monopoly actually works:

> …[I]n the mid-90s, regulators, consumers and energy producers began to rearrange the market for "deregulation" in Texas. Incumbent providers such as TXU and Reliant were restructured in the name of free markets, but when the dust cleared, the only winners were members of the political class and corporations that had been State-sanctioned monopolies prior to the "deregulation."
>
> TXU was separated into two companies, Oncor and TXU Energy. Oncor was given the monopoly on all services including meter reading, energy delivery, etc. Additionally they own all of the poles and wires and are protected by law from competition. TXU Energy became a billing company (and owner of power plants), merely forwarding all of the customer service questions and problems to Oncor, and therefore providing no services themselves.

[114] Christophers, *Our Lives in Their Portfolios*, p. 183.

> This is akin to the following: splitting AT&T into two separate companies, one (Nexis) that owns all of the cables, wires, PBXs, switching stations, call centers, etc. and provides all of the services, repairs, installations, etc., and the other company (Willy) whom [sic] simply sends you a bill at the end of the month, providing no value-added service.
>
> Not only is it not deregulation (the same players exist with State protection) but more overhead is created through the creation of another billing company.[115]

The same is true of privatized infrastructures. To quote Crouch again: "Making markets or analogues of them where they do not really exist requires some intellectual acrobatics from regulators."

> An interesting example is found in gas and electricity supply. It is difficult for domestic customers to see themselves as being in a market here. Whichever supplier they have, the same gas and electrical power come to their pipes and cables. There is no variety of product or quality that enables consumers to exercise the kind of choice they have in normal markets. They also sign up to contracts lasting at least a year, and often of unlimited term, so these markets are not very active. Suppliers compete with each other by trying to develop better forward purchasing strategies and superior advertisements. While a

[115] Tim Swanson, "Texas Sized Tomfoolery," Mises.org, September 9, 2003. No longer available. Quoted in Kevin A. Carson, "What Economic Freedom Indexes Leave Out," *The Freeman: Ideas on Liberty*, February 24, 2011 <https://fee.org/articles/what-economic-freedom-indexes-leave-out/>.

Intellectual Property and the Right to Repair. The same phenomenon extends into the physical world, with the use of intellectual property to thwart the right to repair physical goods that one supposedly owns.

Companies can monopolize the right to repair by using DRM to block replacement parts produced by anyone else, running appliances and machinery on proprietary software, and by using proprietary diagnostic software available only to their own service centers. "Best of all," Doctorow says, "a repair monopoly lets manufacturers decide when your stuff is 'beyond repair,' whereupon they can offer you a generous 'trade-in rebate' if you buy a new gadget." Planned obsolescence is very much the conscious goal. Apple's Tim Cook "warned his shareholders that the biggest threat to the business was people fixing their phones rather than replacing them."[211]

DRM is an especially powerful weapon, because circumventing it is not just a civil offense — it's a felony.

> Even more powerful is DRM. Thanks to Section 1201 of the 1998 Digital Millennium Copyright Act, making tools to bypass a "copyright access control" is a felony. Software is copyrighted, so if your product has a chip in it, you can wrap it in a thin layer of "access controls" (DRM). Anyone [who] makes a tool to bypass that DRM – say, to extract diagnostic information or activate a new part – commits a felony.
>
> A company that puts cheap microcontrollers into its gadgets can make it a literal crime to

ens ad-transparency group," *Pluralistic*, October 25, 2020 <https://pluralistic.net/2020/10/25/musical-chairs/#son-of-power-ventures>.

[211] Cory Doctorow, "How to design an anti-monopoly interop system," *Pluralistic*, February 5, 2022 <https://pluralistic.net/2022/02/05/time-for-some-game-theory/#massholes>.

Together, the CFAA and DMCA have given digital businesses access to a shadowy legal doctrine that was never written by Congress but is nevertheless routinely enforced by the courts: *Felony Contempt of Business-Model*.

The CFAA and DMCA 1201 have been carefully distorted into defensive, anti-disruption shields that are only available to digital businesses. Taxi medallion owners can't use the CFAA and DMCA 1201 to keep Uber and Lyft out of their cities.

But Uber and Lyft could use these legal tools to keep Meta-Uber out of *their* bottom lines. Uber and Lyft have lengthy terms-of-service that set out the rules under which you are authorized to communicate with Uber and Lyft's servers. These terms of service prohibit using their servers to locate drivers for any purpose other than booking a ride. They certainly don't permit you to locate a driver and then cancel the booking and re-book with a co-op app.

And Uber and Lyft's apps are encrypted on your phone, so to reverse-engineer them, you'd have to decrypt them (probably by capturing an image of their decrypted code while it was running in a virtual phone simulated on a desktop computer). Decrypting an app without permission is "bypassing an effective means of access control" for a copyrighted work (the app is made up of copyrighted code).[210]

[210] Doctorow, "Disruption for Thee But Not for Me"; Social media platforms legal war on interoperability is ironic, by the way, considering how many of them got their start. Facebook, for example, "got its start by violating Myspace's terms of service and building tools to help its users import their Myspace messages to Facebook…." Cory Doctorow, "Facebook threat-

> few small suppliers may gain some market entry, an illusion of diversity is produced by third-party firms — typically well-known supermarket brands — doing deals for their customers by buying energy from the primary suppliers, badging it, and selling it on.[116]

In any case, it is virtually impossible to create a competitive market within which a privatized or deregulated infrastructure or service can be disciplined by genuine market forces. In the case of outsourced public services, "a public authority becomes the customer, and only supply is privatised."

> The end users are not customers, just users, and therefore not part of the market relationship. Any rights they have remain those of citizens, as they had under the previous public regime — though in practice these may be attenuated by aspects of the contract between public authority and provider, such as commercial confidentiality clauses that give citizens less information about the details of a service than they had with a public supplier.[117]
>
> Similarly, outsourcing health services and schools to private and other providers has usually meant dismantling consultation mechanisms, local users' watchdog committees and other forms of participative governance. Critics have protested that such moves contradict the promise of greater responsiveness to users that had been proclaimed to be a necessary consequence of moving closer to the market. But the owners of the firms providing

[116] Colin Crouch, "9. The Paradoxes of Privatisation and Public Service Outsourcing," *The Political Quarterly* 86 (2015), p. 159.

[117] *Ibid*., pp. 161–162.

> health and educational services fear that consultation mechanisms will threaten their profitability, formal customer participation mechanisms being virtually unknown in the private sector.[118]

Privatized public infrastructures, especially natural monopolies like public utilities and transportation infrastructures, are extremely attractive investments for the financial sector. They combine high market entry barriers, pricing power, and a captive customer base.[119] In short, they are a guaranteed source of exploitative profits.

De-risking, Crouch argues — removing any risk, and providing a guaranteed return, to the private "partner" in the "private-public partnership" — is a central consideration both in the state's privatization or outsourcing policies, and in the business strategy of the private corporations that take advantage of it.

> States have been the principal owners of major infrastructure goods, like roads, and also of the physical infrastructure of public services, like hospitals. A further major motive for partial privatisation has been a desire by governments to attract private investment to such projects, saving on the taxation burden involved in state funding in exchange for having private firms own parts of national infrastructure. This has severe limits. If projects are undertaken for collective goods or citizenship purposes, they are likely to be less profitable than those undertaken on assessments of pure profitability. Firms therefore have to be offered inducements to create this new market. Also, the economic risk of failure

[118] *Ibid.*, p. 163.

[119] Christophers, *Rentier Capitalism*, pp. 295–297.

panic after seeing the movie *Wargames* (I am not making this up). CFAA is nominally an anti-computer-intrusion statute, which criminalizes "exceeding your authorization" on a computer that doesn't belong to you. Even when it passed, more than 40 years ago, technologically clued-in scholars and practicioners warned that this was way too broadly defined, and that someday we might see this rule used to felonize normal activities involving computers we owned, because the computers would have to talk to a server to accomplish part of their work, and the server's owner could use onerous "user agreements" and "terms of service" to define our authorization. If this became widespread, then these licenses could take on the force of criminal law, and violating them could become a jailable offense.

40 years later, those fears are vindicated: CFAA is used to threaten, intimidate, sue, and even jail people engaged in otherwise perfectly lawful activity, merely because they have violated some term of service on the way….

Then there's Section 1201 of the Digital Millennium Copyright Act of 1998, a Bill Clinton bill that creates a felony for "bypassing an effective means of access control" (AKA Digital Rights Management or DRM) for copyrighted works.

…[Today, DRM] is used for "business model enforcement," to ensure that disruptive, but legal, ways of using a product or service are made illegal – from refilling your printer's ink cartridge to getting your car or phone serviced by an independent neighborhood repair shop.

> an existing, dominant software-based product or service, you risk bankruptcy and a long prison sentence….
>
> Interoperability lowers "switching costs" – the cost of leaving behind whatever you're using now in favor of something you think will suit you better….
>
> Companies like high switching costs. For a would-be monopolist, the best product is one that's seductively easy to start using and incredibly hard to get rid of….
>
> But when you want to leave Facebook, there's no easy way to do so. You can't go to a Facebook rival and follow what your friends post to Facebook from there. You certainly can't reply to what your Facebook friends post using a rival service….
>
> The thicket of anti-interoperability rules that has sprung up around interoperability has a catch-all name: "intellectual property."[209]

This intellectual property, broadly defined, extends far beyond patents and copyright to include a host of other restraints on competition.

> Tech law is a minefield of overly broad, superannuated rules that have been systematically distorted by companies that used "disruption" to batter their way into old industries, but now use these laws to shield themselves from any pressure from upstarts to seek to disrupt *them*.
>
> First is the Computer Fraud and Abuse Act, passed in 1986 in part to assuage Ronald Reagan's

[209] *Ibid*.

that attends private ventures, and which is in theory the raison d'être of the capitalist concept of profit, is difficult to translate into the political risk of failure with a collective or citizenship good. Indeed, as already noted, the response to the financial crisis of 2008 demonstrated that, if a risk includes that of system failure, states may feel impelled to absolve investors from the risks that in theory justify their private sector profits.

As a result, recourse to the private sector for public investment has usually not absolved governments from ultimate responsibility for risk, but rather has required them to offer indemnity to private investors in the case of failure. It has therefore not used the market in one of its most basic meanings. The offer in the UK of higher subsidies to private railway undertakings than were made available to the railways when publicly owned is a case in point. Another concerns public – private investment partnerships (PPP), known in the UK as the Private Finance Initiative (PFI). Under PFI, a firm invests in building or reconstructing a school, hospital or similar facility for a public authority, and then leases it back to the authority for a period of years. The authority acquires a facility that it would not otherwise have afforded for several years, but has to pay back a much larger sum over the lease period. Also, guarantees have to be given to the firm that there will be no substantial changes in use, which can threaten the efficiency of the authority's operation. Perhaps most important, in the wake of the financial crisis, the UK government had to promise to underwrite

> PFI contracts. The state did not divest itself of risk.[120]

In the Global North, Christophers writes, "governments have successfully, if unevenly, de-risked private-sector infrastructure investment – and… the capital has correspondingly flowed in, not least via asset managers' bulging infrastructure funds."

> In 2016, the UK's Infrastructure and Projects Authority crowed that Moody's had awarded the country's regulatory regimes for the water, gas and electricity sectors the highest possible score (AAA) – representing the lowest investment risk. Moody's judged those regimes as 'amongst the most stable and predictable in the world': an infrastructure investor's 'paradise', as the *Financial Times* subsequently remarked.
>
> Motivated by concerns about growing infrastructure gaps, this burgeoning enterprise of state-led de-risking… substantially [explains] the conspicuous growth in real-asset investment via asset managers in the period since the financial crisis.[121]

De-risking is even more of a racket in the Global South. The United Nations Development Programme, World Bank, and G20 are all strident advocates of the position that "attracting external private finance requires wholesale de-risking."[122]

> De-risking of infrastructure investment comes in many guises, and has been initiated by a range

[120] Crouch, "9. The Paradoxes of Privatisation and Public Service Outsourcing," pp. 160–161.

[121] Christophers, *Our Lives in Their Portfolios*, pp. 95–96.

[122] *Ibid.*, p. 101.

> software sources. You get to keep your phone, keep your apps, keep all the data on your phone, *and* you get to install that unauthorized app.
>
> Without interoperability, your choice is "take it or leave it"…
>
> Writ large, interoperability encompasses things like democracy: when someone says they like their city but not its bylaws, we don't tell them that the law is the law and the home comes with these bylaws in a package. Instead, we set out processes for amending or repealing laws that chafe the people they govern. And, if you fail in your bid to reform your city's laws, you can move to another city without having to surrender the possessions in your home or your social relations with your old neighbors. Interoperability lets you replace the laws and keep your house, or replace your house and find new laws….[208]

But the media conglomerates and "sharing" apps have made it impossible to circumvent network effects lock-in, thanks to legal barriers.

> Between software copyrights, anti-circumvention rules, software patents, enforceable terms of service, trade secrecy, non-compete agreements, and the pending (at the time of this writing) Oracle/Google dispute over API copyrights, any attempt to interoperate with an existing product service without permission from its corporate master is a legal suicide mission, an invitation to almost unlimited civil – and even criminal! – litigation. That is to say: if you dare to modify, improve, or replace

[208] Doctorow, "IP."

> poured into getting rideshare services legalized in cities around the world, the marketing billions they've spent making us all accustomed to the idea of rideshare services.
>
> This Meta-Uber service would allow for a graceful transition from the shareholder-owned rideshares to worker co-ops. When you needed a car, you'd get one, without having to solve the chicken-and-egg problem of no drivers because there are no passengers because there are no drivers. One fare at a time, we could cannibalize Lyft and Uber into the poorhouse.
>
> The billions they've spent to establish "first-mover advantages" wouldn't be unscalable stone walls around their business: they'd be immovable stone weights around their necks. Lyft and Uber would have multi-billion-dollar capital overhangs that their investors would expect to recoup, while the co-ops that nimbly leapt over Uber and Lyft would not have any such burden.

The same model could be applied to virtually any platform: "a Meta-Amazon that places your order with the nearest indy bookstore instead; a Meta-OpenTable that redirects your booking to a co-op booking tool."[207]

> Interoperability improves self-determination by safeguarding your ability change the your current situation by incremental steps: if you like your phone and the apps you have, but want an app that's banned in its default app store, interoperability comes to the rescue, allowing you to add a second app store to your phone's list of approved

[207] Doctorow, "Disruption for Thee But Not for Me."

> of different actors. Two of the main categories of risk that it aims to mitigate are construction and demand risk. The former is the risk that a project costs more or takes longer to complete than projected, or that construction to the required standard is simply unsuccessful; the latter is the risk that, once built, a project does not generate the level of revenue anticipated. Governments in the Global South have increasingly sought to offset both sets of risks for international private investors, for instance, in the case of power-generation facilities, by guaranteeing revenue via long-term power-purchase contracts with state-owned utilities. Multilateral institutions have also helped with de-risking. In 2013, for example, the International Finance Corporation (IFC), a sister organisation of the World Bank, initiated a programme designed to steer institutional-investor capital into Global South infrastructure projects. Not only would the IFC co-invest; it would, if its private-sector co-investors incurred losses, absorb some of those losses.[123]

Hildyard's *Licensed Larceny* is an in-depth study of the "privatization" and "public-private partnership" rackets in action, in the Global South. For global finance capital, the goal of investment in privatized or contracted-out infrastructures is guaranteed, "stable, contracted income streams."[124] For Western financiers and asset managers, infrastructures are a class of assets with "stable, contracted cash flow for the long

[123] *Ibid.*, p. 101.

[124] Nicholas Hildyard, *Licensed larceny: Infrastructure, financial extraction and the Global South* (Manchester: Manchester University Press, 2016), p. 8.

term." Without a contract to protect against "market-exposure to price," there will be no takers.[125]

To add insult to injury, the primary function of such infrastructures in the Global South is to serve the needs of exported Western capital and offshored production; they are the infrastructures without which corporate globalization and global supply chains could not exist. So countries are tying down an enormous share of their future revenue to guarantee exorbitant rates of profit to Western capital ("legally enforceable liens on future public flows of money") — in order to construct infrastructure whose primary purpose is to facilitate the extraction of value from their countries by that same Western capital.[126] A number of equally toxic trends — the increasing centrality of long-distance transportation infrastructures to the profitability of global capitalism; the "fiscal crisis of the state" induced by the increasing cost of providing the prerequisites for the profitability of capital; and the increasing financialization of capitalism — all intersect, in bringing about this trend.

> …[I]nfrastructure-as-asset-class is more than just a rent-grab by finance or an opportunity for derivatives traders to make a quick buck by constructing a superstructure of complex financial trades on the back of state-backed guarantees — though it is certainly both of these things. Its emergence is also an outcome of deeper structural forces that have their roots in a centuries-long trend that has massively increased both the scale and the costs of the physical infrastructure — roads, railways, ports, airports, waterways, en-

[125] *Ibid.*, p. 23.
[126] *Ibid.*, pp. 9, 39.

> Diaspora, without being spied on by Facebook. Mastodon users could read and post to Twitter without touching Twitter's servers. Hundreds or thousands of services could spring up that allowed users different options to block harassment and bubble up interesting contributions from other users — both those on the incumbent social media services, and the users of these new upstarts. It's true that unlike Usenet, Facebook and Twitter have taken steps to block this kind of federation, so perhaps the experience won't be as seamless as it was for alt. users mixing their feeds in with the backbone's feeds, but the main hurdle – moving to a new service without having to convince everyone to come with you – could be vanquished.[206]

Doctorow envisions a similar model of adversarial interoperability for ride-sharing apps:

> Imagine if I could install a version of [Austin's driver-governed ride-sharing app] Ride (call it Meta-Uber) that knew about all the driver co-ops in the world. When I landed, I'd page a car with Uber or Lyft, but once a driver accepted the hail, my Meta-Uber app would signal the driver's phone and ask, "Do you have a driver co-op app on your phone?" If the driver and I both had the co-op app, our apps would cancel the Uber reservation and re-book the trip with Meta-Uber.
>
> That way, we could piggyback on the installed base of Uber and Lyft cars, the billions they've

[206] Doctorow, "alt.interoperability.adversarial," *Boing Boing*, November 23, 2019 <https://boingboing.net/2019/11/13/alt-interoperability-adversari.html>.

sible to nullify network effects as a barrier to migration, using a principle Doctorow calls "adversarial interoperability."

> "Interoperability" is the act of making a new product or service work with an existing product or service: modern civilization depends on the standards and practices that allow you to put any dish into a dishwasher or any USB charger into any car's cigarette lighter.
>
> But interoperability is just the ante. For a really competitive, innovative, dynamic marketplace, you need *adversarial* interoperability: that's when you create a new product or service that plugs into the existing ones *without the permission* of the companies that make them. Think of third-party printer ink, alternative app stores, or independent repair shops that use compatible parts from rival manufacturers to fix your car or your phone or your tractor.[205]

In the case of social media, this means you could piggyback user-governed instances as overlays of the Facebook or Twitter architecture (basically the Fediverse model), and import and continue to interact with your old Facebook and Twitter connections, but with your own terms of service and features — all without the permission of Facebook or Twitter. With adversarial interoperability,

> Facebook alternatives like Diaspora could use their users' logins and passwords to fetch the Facebook messages the service had queued up for them and allow those users to reply to them from

[205] Doctorow, "Adversarial interoperability," Electronic Frontier Foundation, October 2, 2019 <https://www.eff.org/deeplinks/2019/10/adversarial-interoperability>.

> ergy facilities and the like — that dominant forms of industrial capital need in order to expand.[127]

Globalized capital absolutely depends, for its profitability, on constructing "a global network of interconnected infrastructure corridors, logistics hubs and new cities aimed at speeding up the circulation of commodities between sites of resource extraction, production and consumption."[128]

> For all the talk of providing poorer people with access to clean water or electricity, the planned (or already initiated) programs are primarily directed at reducing 'economic distance', thereby unlocking remote mineral deposits and expanding the export of cheap agricultural produce; better harnessing landlocked countries to the global economy; expanding inland free trade zones and low-wage production centres that have to date been largely restricted to coastal areas; speeding supply chain connections; and improving the linkages between the 44 cities where the bulk of the 'global consuming class' are expected to be living by 2025….[129]

The old saying "Selling you the rope to hang you with" comes to mind.

This list gives some idea of the range of guarantees embedded in such "free market" arrangements, by which investors are protected against the merest whiff of actual market forces:

> guaranteed rates of return; minimum guaranteed income streams; guarantees on loans repayments; guarantees against currency exchange

[127] *Ibid.*, p. 55.
[128] *Ibid.*, p. 56.
[129] *Ibid.*, p. 61.

> rate risks; guaranteed minimum service charge payments, irrespective of the performance of the PPP; and guarantees of compensation should new legislation affect the profitability of their investments.

As for the actual rates of guaranteed annual profit, 15% is at the low end of the range of what's acceptable.[130]

So far we haven't even considered privatization from the delivery-of-service end — from which perspective privatization is a vehicle for large-scale enshittification. Advocates for privatization and public-private partnerships typically argue that they will increase infrastructure investment, improve service, and cut costs. As summarized by Christophers:

> First, it said, private ownership maximises infrastructure investment and service quality because public-sector operators 'are prone to underinvest' and thereby to create 'a poor experience for consumers'. Second, private ownership is more reliable, allegedly delivering new infrastructure 'more often on time and on budget' than public ownership, and with a lower risk of project cancellation. Third, private ownership is cheaper, both for users of infrastructure (because it entails 'greater efficiency' of operation) and for governments choosing between in-sourcing and outsourcing of asset build and operation (because outsourcing 'results in lower overall life cycle costs', thus reducing the cost of public procurement). Last, but definitely not least, private ownership… reduces risk to the state and, behind the state, taxpayers, insofar as key risks – 'design and construction costs, delays,

[130] *Ibid.*, p. 33.

> All of this sets the stage for a phenomenon called algorithmic wage discrimination, in which two workers doing the same job under the same conditions will see radically different payouts for that work. These payouts are continuously tweaked in the background by an algorithm that tries to predict the minimum sum a worker will accept to remain available *without* payment, to ensure sufficient workers to pick up jobs as they arise….
>
> What's more, what Uber charges *customers* is not based on how much it pays its workers. As Uber's head of product explained: Uber uses "machine-learning techniques to estimate how much groups of customers are willing to shell out for a ride. Uber calculates riders' propensity for paying a higher price for a particular route at a certain time of day. For instance, someone traveling from a wealthy neighborhood to another tony spot might be asked to pay more than another person heading to a poorer part of town, even if demand, traffic and distance are the same."
>
> …Today, a driver who consults the rider version of the Uber app before accepting a job – to compare how much the rider is paying to how much they stand to earn – is booted off the app and denied further journeys.[204]

Of course, the switching costs from network effects only result in lock-in when the only choices presented by a platform are to use it or leave, with nothing in between. It would be pos-

[204] Cory Doctorow, "Gig apps trap reverse centaurs in wage-stealing Skinner boxes," *Pluralistic*, April 12, 2023 <https://pluralistic.net/2023/04/12/algorithmic-wage-discrimination/#fishers-of-men>.

Think of Amazon warehouse workers wearing haptic location-aware wristbands that buzz at them continuously dictating where their hands must be; or Amazon drivers whose eye-movements are continuously tracked in order to penalize drivers who look in the "wrong" direction….

The difference between a centaur and a reverse centaur is the difference between a machine that makes your life better and a machine that makes your life worse so that your boss gets richer. Reverse centaurism is the 21st Century's answer to Taylorism, the pseudoscience that saw white-coated "experts" subject workers to humiliating choreography down to the smallest movement of your fingertip….

While reverse centaurism was born in warehouses and other company-owned facilities, gig work let it make the leap into workers' homes and cars. The 21st century has seen a return to the cottage industry – a form of production that once saw workers labor far from their bosses and thus beyond their control – but shriven of the autonomy and dignity that working from home once afforded….

The rise and rise of bossware – which allows for remote surveillance of workers in their homes and cars – has turned "work from home" into "live at work." Reverse centaurs can now be chickenized – a term from labor economics that describes how poultry farmers, who sell their birds to one of three vast poultry processors who have divided up the country like the Pope dividing up the "New World," are uniquely exploited….

> volatile market demand, and operation and maintenance costs' – are 'transferred to the private sector'.[131]

The truth, in every case, is just the opposite. We've already seen the ways in which taxpayers assume *increased* risk, resulting in greater costs, because of the demand for de-risking as a condition for making a deal.

But in addition, private sector administrators of public infrastructures typically hollow out and asset-strip their acquisitions rather than increasing investment in them, reduce service quality, and increase costs.

The usual practice upon acquiring a privatized public property — just as with formerly productive and profitable firms acquired by private equity — is to use it as a cash cow. "Privatized utility providers, cossetted by monopoly conditions, had, according to [Martin] Wolf, been sweating their infrastructure assets rather than improving and upgrading them."[132]

> [Nigel] Hawkins's assessment… was perhaps even more damning. 'Despite some efforts to provide incentives for innovation', he wrote, 'the fact remains that R&D expenditure in the electricity, gas and especially the water sector is extremely modest. By way of example, Severn Trent, currently capitalised at almost £5 billion, invested just £5 million in R&D in 2013/14.' That equated to 0.1 per cent of the company's value – or 0.3 per cent of its revenues of £1.9 billion in the same year. Meanwhile, Railtrack, the private company that had assumed ownership of the bulk of the fixed railway infrastructure (track, stations, signalling, tunnels,

[131] Christophers, *Our Lives in Their Portfolios*, p. 149.

[132] Christophers, *Rentier Capitalism*, p. 294. [M. Wolf, 'Britain's Utility Model Is Broken', Financial Times, 12 June 2008]

> bridges and level crossings) upon the sector's privatization, was, noted Hawkins, 'widely believed to have heavily underinvested' prior to its collapse in 2001. Hawkins also made special mention of the former airport owner and operator BAA plc, a 'disproportionate part' of whose investment budget had evidently 'been directed at providing expensive retail facilities rather than improving airport infrastructure'.[133]
>
> …Under the ownership of Macquarie bank, which bought it in 2006 and exited a little over a decade later, Thames Water's financial and operational risk piled up: £2 billion of extra debt was loaded onto the company's balance sheet, and what one judge described as 'inadequate investment, diabolical maintenance and poor management' led to 'extensive pollution of the Thames, and other rivers, with untreated sewage between 2012 and 2014'.[134]

Besides asset stripping and hollowing out, there's rate gouging. Marjorie Kelly: "In the UK since 1989, following privatization of water, water bills for customers climbed by one third. The water industry now boasts 32 percent profit margins."[135]

How the Rentier Economy Blocks Innovation. Even in cases where asset managers and other rentiers are not owners of productive industry, the shift towards rent-extraction as an increasing share of profit from productive enterprise intensifies the destruction of value. This is true, in particular, of industries whose profit model is centered on intellectual property.

[133] *Ibid.*, p. 294. [N. Hawkins, 'Utility Gains: Assessing the Record of Britain's Privatized Utilities', September 2015, p. 1 – pdf available at static1.squarespace.com.]

[134] *Ibid.*, p. 311.

[135] Kelly, *Wealth Supremacy*, p. 8.

> now a legal minefield. "IP" has come to mean "any law that lets a company control the conduct of its competitors, critics or customers," and that's why "IP" is always at the heart of maneuvers to block platform users' attempts to wrestle value away from the platforms.[203]

Nowhere in the platform economy — as mentioned briefly above — is rent extraction and enshittification so egregious as in the so-called gig economy, where intellectual property puts platform owners in a position to screw over both customers and workers. In the gig economy,

> workers are misclassified as independent contractors and put to work for an app that scripts their every move to the finest degree. When an app is your boss, you work for an employer who docks your pay for violating rules that you aren't allowed to know – and where your attempts to learn those rules are constantly frustrated by the endless back-end twiddling that changes the rules faster than you can learn them.

Cory Doctorow coined the term "reverse centaur" to describe the relationship between the gig worker and the technology.

> In AI research, a "centaur" is a human assisted by a machine that does more than either could do on their own. For example, a chess master and a chess program can play a better game together than either could play separately. A *reverse* centaur is a *machine assisted by a human*, where the machine is in charge and the human is a meat-puppet.

[203] Doctorow, "Twiddler."

> intermediaries have ceased serving as facilitators and now run the show.[201]

One especially toxic example of platform enshittification is the way in which so many corporations and other institutions have outsourced employment through staffing agencies — in turn driving, simultaneously, reduced pay and increased precarity for the workers who are replacing those previously employed directly and full-time by the institutions themselves.

> Now, if you think about it for even a second, it's obvious that there's only one way that hiring a doorman through a staffing agency could be cheaper than just hiring the doorman: the staffing agency has to pay the doorman less. A *lot* less, because the staffing agency is making money here, too – so the doorman is splitting that lower payment with the agency.

These staffing agencies rely on another form of artificial property right — non-compete clauses — if not to outright prevent, at least to make it much more difficult, for workers and clients to disintermediate and deal directly with each other for better terms on both ends. Similar clauses, binding on employers, charge massive penalties for directly hiring workers previously contracted through the agencies.[202]

And all of these platforms depend on intellectual property to prevent users from altering their configuration in a way that makes them more user-friendly.

> While it remains *technically* possible to reconfigure the technologies that you rely on, doing so is

[201] Cory Doctorow, "Twiddler: Configurability for Me, But Not For Thee," *Medium*, February 19, 2023 <https://doctorow.medium.com/twiddler-1b5c9690cce6>.

[202] Cory Doctorow, "How workers get trapped by 'bondage fees,'" *Pluralistic*, April 21, 2023 <https://pluralistic.net/2023/04/21/bondage-fees/>.

> In fact, there is plenty of evidence to suggest that the modern system of IP protection is actually counterproductive – when measured, that is, against the avowed purpose of stimulating innovation. Precisely because rights are now so strong and so well enforced, they encourage instead what is often referred to as 'rent-seeking'.[136]

But in fact patents suppress innovation as much as they encourage it. This is because of the "shoulders of giants" effect. Contrary to the popular trope, inventions are almost never the work of a lone genius. Technological innovations are the creation of social intellect. We see multiple variations on inventions like the telephone, radio, internal combustion engine, etc., appearing in numerous places at about the same time, because 1) the technical prerequisites for them are all in existence, and 2) there is a widely perceived need for them. Any new invention presupposes a wide variety of existing technologies that are combined and reworked into a new configuration. Patents on existing technologies may or may not marginally increase the incentives to new invention, but they also increase the cost of doing so by levying a tariff on the aggregation of existing knowledge to serve as building blocks of a new invention.[137]

According to Marjorie Kelly, "large companies have increasingly used 'strategic' patenting to patent around areas with a view to blocking competitors…."

> Such strategic patenting can be especially effective when a patent is obtained at an early stage of the development of a technology, before the technical standard is properly determined, or in fast-paced

[136] Christophers, *Rentier Capitalism*, p. 192.

[137] Yochai Benkler, *The Wealth of Networks: How Social Production Transforms Markets and Freedom* (New Haven and London: Yale University Press, 2006), pp. 36–37.

> and patent-intensive fields such as ICT or biotech, where innovations are highly interdependent or complementary. An early patent gives its owner the chance of setting the dominant standard and blocking improvements others might make. The risk of infringing the patent can also prevent other firms from marketing their products or services.[138]

James Watt's refusal to license his patent on the steam engine, for example, prevented others from improving the design until the patent expired in 1800. This delayed the introduction of locomotives and steamboats.[139] According to Michele Boldrin and David K. Levine: "Once Watt's patents were secured and production started, he devoted a substantial portion of his energy to fending off rival inventors."

> …[I]n the 1790s, when the superior Hornblower engine was put into production, Boulton and Watt went after Jonathan Hornblower with the full force of the legal system.
>
> During the period of Watt's patents, the United Kingdom added about 750 horsepower of steam engines per year. In the thirty years following Watt's patents, additional horsepower was added at a rate of more than 4,000 per year. Moreover, the fuel efficiency of steam engines changed little during the period of Watt's patent; however between 1810 and 1835 it is estimated to have increased by a factor of five.[140]

[138] Mazzucato, *The Value of Everything*, p. 192.

[139] Johann Soderberg, *Hacking Capitalism: The Free and Open Source Software Movement* (New York and London: Routledge, 2008), p. 116.

[140] Michele Boldrin and David K. Levine, *Against Intellectual Monopoly* (Cambridge, New York, Melbourne, Madrid, Capetown, Singapore, São Paolo: Cambridge University Press, 2008), p. 1.

The "gig economy" is rife with these practices. Companies like Doordash want to criminalize tools that let drivers see how much a job will pay before they commit to it. Uber is a notorious twiddler of the driver-compensation knobs, exploiting the ease of changing pay structures to stay one step ahead of drivers. Sometimes, Uber overreaches and finds itself on the wrong end of a wage-theft investigation, but for every twiddle that draws a state Attorney General's attention, there are dozens of smaller twiddles that slide under the radar.…

For independent sellers, Amazon's twiddling has piled junk fee upon junk fee, so that today, Amazon's fees account for the *majority* of the price of goods on Amazon Marketplace.

Advertisers and publishers are also on the wrong side of twiddling. The FTC's lawsuit against Facebook and the DoJ's antitrust case against Google are both full of eye-watering examples of high-speed shell-games where twiddling the knobs resulted in nearly undetectable frauds that ripped off both sides of the adtech market (publishers and advertisers) to the benefit of the tech companies.…

As Douglas Rushkoff puts it, the platforms have "gone meta" — rather than providing goods or services, they have devoted themselves to sitting between people who provide goods and services and people who want to consume them. It's chokepoint capitalism, a market where the

> if they went out of business would make me sympathetic to that company, you are out of your fucking *mind*. If that happened to me, it would make me want to tear the lock out of my door, hunt down the CEO of the company that made it, set the lock on fire, and throw it through their front window.[198]

In the case of platforms like social media, Uber, Airbnb, and the like, enshittification is enabled by "the nature of a 'two sided market,' where a platform sits between buyers and sellers, holding each hostage to the other, raking off an ever-larger share of the value that passes between them."[199]

> …Doug Rushkoff calls this "going meta": don't provide a service, just figure out a way to interpose yourself between the provider and the customer….
>
> Don't drive a cab, create Uber and extract value from every driver and rider. Better still: don't found Uber, invest in Uber options and extract value from the people who invest in Uber. Even better, invest in *derivatives* of Uber options and extract value from people extracting value from people investing in Uber, who extract value from drivers and riders. Go meta.[200]

Enshittifying proprietary, walled garden platforms is easy because it can be accomplished by digitally "twiddling" (Doctorow's word) the rules of a platform to rip off buyers, sellers, and anyone else in a stakeholder position of any kind — usually in ways that are completely opaque to those stakeholders.

[198] Cory Doctorow, "Pluralistic: Learning from Silicon Valley Bank's apologists (15 Mar 2023)" <https://pluralistic.net/2023/03/15/mon-dieu-les-guillotines/#ceci-nes-pas-une-bailout>.

[199] Doctorow, "Tiktok's Enshittification."

[200] Doctorow, "Autoenshittification."

Other people's patents, ironically, hindered Watt from improving his own steam engine design.

> An important limitation of the original Newcomen engine was its inability to deliver a steady rotary motion. The most convenient solution, involving the combined use of the crank and a flywheel, relied on a method patented by James Pickard, which prevented Watt from using it. Watt also made various attempts to efficiently transform reciprocating motion into rotary motion, reaching, apparently, the same solution as Pickard. But the existence of a patent forced him to contrive an alternative, less efficient mechanical device, the "sun and planet" gear. It was only in 1794, after the expiration of Pickard's patent, that Boulton and Watt adopted the economically and technically superior crank.[141]

A wide range of developments in computer software — "all the graphical user interfaces; the widgets such as buttons and icons; the compilers, assemblers, linked lists, object-oriented programs, databases, search algorithms, font displays, word processing, and computer languages" — were developed before the introduction of software patents in 1981. Bill Gates — the intellectual property hawk who denounced free and open-source software as "communist" — admitted that, had such innovations been patented, "the industry would be at a complete standstill today."[142]

Besides limiting what new technologies other firms can market, patents hinder the research process itself. David Graeber points to the way that the "creeping privatization of research results" has hindered scientific progress. He quotes

[141] *Ibid*., p. 2.

[142] *Ibid*., p. 16.

David Harvie on the old open-source ethos of scientific research:

> Convivial competition is where I (or my team) wish to be the first to prove a particular conjecture, to explain a particular phenomenon, to discover a particular species, star or particle, in the same way that if I race my bike against my friend I wish to win. But convivial competition does not exclude cooperation, in that rival researchers (or research teams) will share preliminary results, experience of techniques and so on … Of course, the shared knowledge, accessible through books, articles, computer software and directly, through dialogue with other scientists, forms an intellectual commons.

Kim Stanley Robinson's idealized description of the scientific community as engaged in a stigmergically coordinated process, in *Blue Mars*, is similar.

> So public, so explicit. And for any given problem in science, the people who were actually out there on the edge making progress constituted a special group, of a few hundred at most— often with a core group of synthesists and innovators that was no more than a dozen people in all the worlds— inventing a new jargon of their dialect to convey their new insights, arguing over results, suggesting new avenues of investigation, giving each other jobs in labs, meeting at conferences specially devoted to the topic— talking to each other, in all the media there were. And there in the labs and the conference bars the work went forward, as a dialogue of people who understood the issues,

invests in early-stage startups" — inadvertently, in the process of defending venture capital, admits just why it's a bad idea to depend on VCs and walled garden, IP-protected platforms to allocate capital investment.

> "When you say: 'Oh, I don't care about Silicon Valley,' yes, that might sound fine. But the reality is very few of us are Luddites," Kunst says. "Imagine you wake up and go to unlock your door, and because they're a tech company banking with SVB who can no longer make payroll, your app isn't working and you're struggling to unlock your door."[197]

To me, that sounds less like a reason for giving venture capitalists more money, and more like a reason for voiding the intellectual property of the tech company, opening its code, and forcibly jailbreaking it, so that users aren't at the mercy of a dead-man switch to keep using it. Better yet, just taking the function of financing new platforms away from people who can use their monopoly over finance to enclose them in such a manner. Or in Doctorow's more colorful phrasing:

> Here's a terrible reason to support the SVB bailout: because if we let all the tech companies who did business with it fail, you might not be able to get into your house anymore after your smart-lock fails because the cloud service it depends on cuts off the startup that made it because their bank account went up in a puff of smoke…
>
> Look, if you think the fact that my Internet of Shit door-lock failed because the company that designed it made no plan to let me into my house

[197] Chris Stokel-Walker, "The Silicon Valley Bank Contagion Is Just Beginning," WIRED, March 13, 2023 <https://c4ss.org/content/58364>.

> from there. You certainly can't reply to what your Facebook friends post using a rival service.…[194]

Occasionally one large social media platform does supplant another, as when the demise of Myspace coincided with the rise of Facebook. Right now, younger platforms like the Fediverse, Bluesky, and Threads are jostling to be first in line to occupy the former niche of Twitter/X, if and when it succumbs to what appears likely to be a terminal enshittification process under its present Dunning Kruger-stricken owner. But even in such cases, the overall oligopoly structure and resulting power imbalance between the platforms and their users remains the same.[195]

And, predictably, businesses with captive clienteles will take advantage of their position to shamelessly abuse their customers.

> Businesspeople understand the risks of competition, which is why they seek to extinguish it. The harder it is for your customers to leave – because of a lack of competitors or because of lock-in – the worse you can treat them without risking their departure. This is the core of enshittification: a company that is neither disciplined by competition nor regulation can abuse its customers and suppliers over long timescales without losing either.…[196]

The irony is that an actual venture capitalist — Sarah Kunst, "managing director of Cleo Capital, a San Francisco firm that

[194] Cory Doctorow, "IP," *Locus*, September 7, 2020 <https://locusmag.com/2020/09/cory-doctorow-ip/>.

[195] Kevin A. Carson, "How NOT to Argue Against the Existence of Monopoly," Center for a Stateless Society, August 3, 2021 <https://c4ss.org/content/55143>.

[196] Cory Doctorow, "America's largest hospital chain has an algorithmic death panel," *Pluralistic*, August 5, 2023 <https://pluralistic.net/2023/08/05/any-metric-becomes-a-target/>.

> and did the sheer hard work of experimentation, and of thinking about experiments.
>
> And all this vast articulated structure of a culture stood out in the open sun of day, accessible to anyone who wanted to join, who was willing and able to do the work; there were no secrets, there were no closed shops.…[143]

This model, Graeber observes, no longer holds true — among corporate scientists, for obvious reasons. But even publicly funded universities and research institutes, scholars increasingly "treat their findings as personal property. Less is published. Academic publishers ensure that findings that are published are more difficult to access, further enclosing the intellectual commons."[144]

And what innovations do take place are heavily distorted by patent incentives. For example, contrary to the drug industry's claims that the astronomical prices funded by patents are necessary for funding ground-breaking new research, Pharma actually spends several times more on marketing than on developing new drugs.[145] And patents direct what "innovation" does take place largely toward trivial alterations that are just sufficient to justify repatenting at minimal outlay on R&D (e.g. "me, too" drugs).[146] Cory Doctorow calls it "evergreening": "coming up with minor variations on existing drugs in a bid to extend those patents for years or decades."[147]

[143] Kim Stanley Robinson, *Blue Mars* (1996) <https://library.lol/fiction/45F0B7333766512896D7DBB4D82EFCBE>.

[144] Graeber, "Of Flying Cars and the Declining Rate of Profit," p. 136.

[145] Cory Doctorow, "Uncle Sam paid to develop a cancer drug and now one guy will get to charge whatever he wants for it," *Pluralistic*, October 19, 2023 <https://pluralistic.net/2023/10/19/solid-tumors/#t-cell-receptors>.

[146] Christophers, *Rentier Capitalism*, p. 196.

[147] Doctorow, "Uncle Sam paid to develop a cancer drug and now one guy will get to charge whatever he wants for it." <https://pluralistic.net/2023/10/19/solid-tumors/#t-cell-receptors>.

Movies, Music, Publishing, and Other Media. Copyright is by far the biggest enabler of enshittification in the media. The media are a prime field for enshittification, because not only are they (like other industries) subject to acquisition and asset-stripping by vulture capitalists, but copyright gives their owners a free hand to degrade or gut them.

Enshittification has been underway in the movie industry for decades. In the film industry from about 1980 on, according to David Graeber, the major studios — previously vertically integrated and under the absolute control of bosses who, while perhaps vulgar and mercenary, at least had a clear sense of purpose and a knowledge of craft — were acquired by global conglomerates whose absentee managers were concerned only with the balance sheet. The result, internally, was the proliferation of bullshit jobs.

> The system that eventually emerged was suffused with bullshit on every level. The process of "development" ("development hell;' as writers prefer to call it) now ensures that each script has to pass through not just one but usually a half dozen clone-like executives with titles such as (Oscar lists some) "Managing Director of International Content and Talent, Executive Managing Director, Executive Vice President for Development, and, my favorite, Executive Creative Vice President for Television:' Most are armed with MBAs in marketing and finance but know almost nothing about the history or technicalities of film or TV. Their professional lives, like that of Apollonia's boss, seem to consist almost entirely of writing emails and having ostensibly high-powered lunches with other executives bearing equally elaborate titles. As a result, what was once the fairly straightforward business of pitching and

and Airbnb, are all rife with enshittification. Intellectual property, combined with other artificial scarcities like no-compete clauses and legal penalties for "felony contempt of business model," enables platforms to lock users in through network effects.

Network effects raise the cost, from the user's perspective, of switching from one platform to another. As an illustration, consider the telephone. For the first person to install it, the telephone was useless until a second person was connected. At that point it acquired some value to the extent that the two might want to talk to each other. As additional users were added to the system, the number of potential interactions — and the value of the system to any given user — increased as the square of the number of users (Metcalfe's Law).

A social media platform has lock-in over its users to the extent that they hesitate to leave because of the number of connections they have there. Time and again, new social media platforms are set up as alternatives to Facebook and Twitter, and attempt to lure disgruntled users from the increasingly enshittified older platforms. But regardless of how superior the user interface or terms of service of the new platform are, it quickly reaches a saturation point at, at most, one or two percent of the Facebook and Twitter user base. The reason? People don't want to migrate because none of their old Facebook or Twitter friends are on the new platform.

> Companies like high switching costs. For a would-be monopolist, the best product is one that's seductively easy to start using and incredibly hard to get rid of….
>
> But when you want to leave Facebook, there's no easy way to do so. You can't go to a Facebook rival and follow what your friends post to Facebook

As an example of such groupthink, consider the recent mass layoffs in the tech sector, driven by a handful of venture capitalists. They were based entirely on the assessment, Cory Doctorow writes, that the rent extraction enabled by destroying value would exceed any profits to be made through productive activity:

> "Activist investors" have triggered massive waves of tech layoffs, firing so many tech workers so quickly that it's hard to even come up with an accurate count. The total is somewhere around *280,000* workers….
>
> These layoffs have nothing to do with "trimming the fat" or correcting the hiring excesses of the lockdown. They're a project to transfer value from workers, customers and users to shareholders. Google's layoff of 12,000 workers followed fast on the heels of gargantuan stock buyback where the company pissed away enough money to pay those 12,000 salaries…for *the next 27 years*.
>
> The equation is simple: the more companies invest in maintenance, research, development, moderation, anti-fraud, customer service and all the other essential functions of the business, the less money there is to remit to people who do nothing and own everything.[193]

Indeed, there's probably no single better illustration of the ways in which rentierism has promoted value destruction and enshittification than in the tech and platform economy. Social media platforms like Twitter and Facebook, retail platforms like Amazon, and so-called "sharing economy" apps like Uber

[193] Cory Doctorow, "Mass tech worker layoffs and the soft landing," *Pluralistic*, March 21, 2023 <https://pluralistic.net/2023/03/21/tech-workers/>.

> selling a script idea descends into a labyrinthine game of self-marketing that can go on for years before a project is finally approved.[148]

And as vulture capitalist ownership further intensified, the explosion of managerial bullshit and featherbedding occurred simultaneously with the gutting and precaritization of actual production jobs like writers and actors.

But the enshittification process really took off with the rise of digital communications and the boost it gave to copyright abuse. Movie and television content which, in a competitive industry, would be left on the market so long as it was profitable at all, is taken off the market because it isn't profitable *enough*. We see media conglomerates, because of their monopoly rights to content and ability to hold it off the market altogether if it's seen as insufficiently profitable, not only canceling wildly popular shows but destroying works of entertainment that have already been produced.

The standard justification is "cost-cutting" — eliminating the payment of residuals — or that the property is worth more as a tax write-off than for the revenue it would bring in. It's more credible to assume that holding even slightly profitable content off the market, which there would be an incentive to make available for the modest returns absent copyright monopolies, becomes profitable under copyright because the copyright holder sees them as competing for an audience with more lucrative properties. The same principle applied to a lesser degree, Boldrin and Levine observe, in the pre-digital era:

> Wait a second, you might say, if a small publisher can make money by publishing the old classic for the market niche interested in it, why do you argue that the big publisher will not? Answer: because for the big publisher the old classic is more

[148] Graeber, *Bullshit Jobs*, p. 185.

> valuable unpublished than published! The cheap Devil paperback version of a sixty-year-old spy story would, to some degree, reduce demand for the expensive hardback version of a brand-new spy story.[149]

Deleting content is an industry trend now. HBO Max in 2022 deleted numerous episodes of Sesame Street, along with dozens of other TV shows and movies.[150] In early June of 2023, Disney purged its lineup of over 100 titles — some of them just produced — in order to write them off on their taxes.[151] Paramount Plus did the same thing just a few weeks later.[152]

But if anyone is the human face of media enshittification, it's David Zaslav — the CEO of Warner Bros. Discovery, and of Discovery before the merger with Warner Bros. Following the merger he canceled distribution of a number of movies — including *Batgirl* — that had already been produced, and tossed them down the memory hole as a loss for tax purposes. He also made the utterly brainless decision to rebrand HBOMax — a household name — as "Max," purged the Max catalog of 87 titles (including *Westworld* and *Space Ghost Coast to Coast*), and gutted the management of TCM and sold off a large portion

[149] Boldrin and Levine, pp. 104–105.

[150] Karl Bode, "HBO Max and Sesame Street Highlight The Stupidity Of Mindless Media Megamergers," *Techdirt*, August 24, 2022 <https://www.techdirt.com/2022/08/24/hbo-max-and-sesame-street-highlight-the-stupidity-of-mindless-media-megamergers/>.

[151] Bode, "Disney Gets A Nice Fat Tax Break For Making Its Streaming Catalog Worse," *Techdirt*, June 6, 2023 <https://www.techdirt.com/2023/06/06/disney-gets-a-nice-fat-tax-break-for-making-its-streaming-catalog-worse/>.

[152] Bode, "Paramount The Latest To Pull Titles From Paramount Plus Streaming Catalog For A Tax Cut And To Skimp On Paying Residuals," *Techdirt*, July 5, 2023 <https://www.techdirt.com/2023/07/05/paramount-the-latest-to-pull-titles-from-paramount-plus-streaming-catalog-for-a-tax-cut-and-to-skimp-on-paying-residuals/>.

the concentration of ownership of tech firms leads to group and industry-wide pressure for destructive cuts in human capital.

> The tech industry layoffs are basically an instance of social contagion, in which companies imitate what others are doing. If you look for reasons for why companies do layoffs, the reason is that everybody else is doing it. Layoffs are the result of imitative behavior and are not particularly evidence-based.
>
> I've had people say to me that they know layoffs are harmful to company well-being, let alone the well-being of employees, and don't accomplish much, but everybody is doing layoffs and their board is asking why they aren't doing layoffs also….
>
> Layoffs are contagious across industries and within industries. The logic driving this, which doesn't sound like very sensible logic because it's not, is people say, "Everybody else is doing it, why aren't we?"
>
> Retailers are pre-emptively laying off staff, even as final demand remains uncertain. Apparently, many organizations will trade off a worse customer experience for reduced staffing costs, not taking into account the well-established finding that is typically much more expensive to attract new customers than it is to keep existing ones happy.[192]

[192] Melissa De Witte, "Why are there so many tech layoffs, and why should we be worried? Stanford scholar explains," *Stanford News*, December 5, 2022 <https://news.stanford.edu/2022/12/05/explains-recent-tech-layoffs-worried/>.

> the dream of zeroing out labor costs while monopolizing a sector to charge the highest price possible (A.I. and the gig economy); 2) creating infrastructure for speculating on digital assets that will be used to commodify more and more of our daily lives (cryptocurrency and the metaverse); and 3) militarizing public space, or helping bolster police and military operations.
>
> You would be hard-pressed to find another parasite that has so thoroughly wrecked the body and environment of its host, all while trying to convince the host that it is deserving of praise and further accommodation.[190]

Ongweso expressed the same general sentiments in much harsher terms on his Twitter account:

> Venture capitalists are parasites who couldn't be trusted with the financial institution that held up their industry, let alone the direction of our technological development. Euthanizing them is imperative if we want a better world.
>
> VCs would rather gamble with other people's money, enrich themselves and friends, rewrite laws and restructure markets in their own favor, and offload as many costs as possible onto the public than build anything of value.[191]

As an example of the herd mentality of VCs and private equity, Stanford business professor Jeffrey Pfeffer notes how

[190] Edward Ongweso Jr., "The Incredible Tantrum Venture Capitalists Threw Over Silicon Valley Bank," *Slate*, March 13, 2023 <https://slate.com/technology/2023/03/silicon-valley-bank-rescue-venture-capital-calacanis-sacks-ackman-tantrum.html>.

[191] Edward Ongweso Jr (@bigblackjacobin), March 13, 2023 <https://twitter.com/bigblackjacobin/status/1635302872291381248>.

of its film library.[153] As Jason Bailey describes him (in a *GQ* article preserved by Internet Archive, after *GQ* took it down under pressure from stooges of the thin-skinned Zaslav),

> there's a crucial difference between Zaslav and the old-school moguls he's attempting to emulate: They loved movies, and cared about filmmakers. Zaslav sees movies as "content," sees filmmakers as "content creators," and is only interested in maintaining, preserving, and presenting "content" that can make him and his stockholders a quick buck. Anything that doesn't, he'll happily gut. He's closer to Logan Roy than Jack Warner and there is a genuine, understandable fear that his bean-counting represents not just shrugging indifference but outright hostility to cinema and its rich history.
>
> In *Pretty Woman,* Richard Gere stars as Edward Lewis, a corporate raider who buys companies "that are in financial difficulty" and sells off their pieces. "So it's sort of like stealing cars and selling them for the parts, right?" asks call girl Vivian (Julia Roberts), when he explains what he does, and it's hard not to think of Lewis when looking over Zaslav's reign at Warner Bros Discovery, stepping into the distressed conglomerate and stripping it for parts.
>
> Edward Lewis, however, is at least honest about what he does. "You don't make anything," Vivian

[153] Alison Foreman and Wilson Chapman, "87 Titles Unceremoniously Removed From HBO Max," *IndieWire*, May 17, 2023 <https://www.indiewire.com/gallery/removed-hbo-max-movies-shows-warner-bros-discovery-merger-list/about-last-night-2/>; Drew Magary, "David Zaslav kills everything he touches, including GQ," *SFGATE*, July 5, 2023 <https://www.sfgate.com/sf-culture/article/david-zaslav-gq-article-18186324.php>.

> notes, and he agrees; "You don't build anything," she continues, and he concurs with that as well. And perhaps that's why David Zaslav is earning a concerning reputation so far. He's out here carrying on like a mogul, but based on his performance to date, he's only good at breaking things.[154]

Note well that all this destruction of value is possible only because intellectual property legally prevents anyone else from saving content whose owner wants to memory hole it. Absent copyright, any show or movie removed from one streaming service's catalog would be immediately snatched up by its competitors, eager to poach subscribers from their rival.

In the music industry, copyright has long enabled record companies to treat artists like garbage.

> One trick was to allocate almost all costs to artists and almost all proceeds to themselves. This included charging artists enormous amounts for things like "breakage" and "packaging" (including even on digital files that couldn't break or be packaged!). Royalties were abysmally low,][especially for artists who were just starting out. Country star Lyle Lovett once lamented that he "never made a dime" from almost five million records. Toni Braxton sold $170 million worth of records on her first contract, and received a royalty check for just $1,972. Courtney Love broke down the numbers in 2000, showing how on the sale of a million records, a band can easily end up working

[154] Jason Bailey, "How Warner Bros. Discovery CEO David Zaslav Became Public Enemy Number One in Hollywood," *GQ*, July 23, 2023 (preserved at Internet Archive) <https://archive.ph/2023.07.03-160323/https://www.gq.com/story/david-zaslav-warner-bros-discovery-ceo-tcm-max#selection-601.0–601.87>; Foreman and Chapman, "87 Titled Unceremoniously Removed From HBO Max."

> whose big ideas promise to change the world (and make some money along the way)….
>
> The reality, however, is that VCs are herd animals. The industry is overconcentrated… and structurally drives capital into a few well-connected hands who pile it into larger funds, cut it into larger checks, and hand it off to a tightly knit network of entrepreneurs and startups.

There is a risk "embedded in the core of the venture capital model." Its costs outweigh its benefits. And the costs boil down to enshittification.

> We got benefits largely limited to the realm of consumer goods and services, like cheap on-demand delivery and ride-hail (so long as you ignored the exploitation that powered them) and cheap streaming services (until they began hiking prices), namely. But what were the costs? Startups that revolutionized the militarization of our border and our migrant deportation operations, helped weaponize robots, offered A.I. services that exploit invisible underpaid workers in the Global South, and roiled urban transit, rental, and restaurant markets. These projects and others generated billions for investors who got in on an early fundraising round, but they also degraded the quality of life for people across the world.
>
> To put it more plainly, for the past 10 years venture capitalists have had near-perfect laboratory conditions to create a lot of money and make the world a much better place. And yet, some of their proudest accomplishments that have attracted some of the most eye-watering sums have been: 1) chasing

shit — to transform the Web into a Library of Babel. As James Vincent describes it:

> In recent months, the signs and portents have been accumulating with increasing speed. Google is trying to kill the 10 blue links. Twitter is being abandoned to bots and blue ticks. There's the junkification of Amazon and the enshittification of TikTok. Layoffs are gutting online media. A job posting looking for an "AI editor" expects "output of 200 to 250 articles per week." ChatGPT is being used to generate whole spam sites. Etsy is flooded with "AI-generated junk." Chatbots cite one another in a misinformation ouroboros. LinkedIn is using AI to stimulate tired users. Snapchat and Instagram hope bots will talk to you when your friends don't. Redditors are staging blackouts. Stack Overflow mods are on strike. The Internet Archive is fighting off data scrapers, and "AI is tearing Wikipedia apart."[189]

Tech and the Platform Economy. Edward Ongweso Jr. argues that the model of tech startup funding by venture capital has resulted in both massively wrongheaded decisions driven by groupthink, and in the large-scale destruction of value.

> Venture capitalists tout themselves as investors who take on big risks by finding value — they provide capital to entrepreneurs lacking the revenue or credit to get traditional financing, but

[189] James Vincent, "AI is killing the old web, and the new web struggles to be born," *The Verge*, June 26, 2023 <https://www.theverge.com/2023/6/26/23773914/ai-large-language-models-data-scraping-generation-remaking-web>.

> for minimum wage while the label profits by the millions.
>
> This is largely attributable to a peculiar, longstanding feature of recording contracts — recoupment. Before a penny from a song's sales actually makes it into their pocket, artists have to recoup not only any advance that was paid upfront but most of the label's other expenses of making the record. What gets put on artists' accounts is limited only by the imaginations of their contract's drafters. Specialist music accountant Craig Williams recounts reviewing one band's accounting statement to discover "they'd been charged for the champagne, food and taxis home from their own signing party!"
>
> Artists are warned not to sign contracts that give labels a "blank check — like unlimited deductions for travel, hotel stays, car rental, meals and entertainment," or deductions for the company's general costs of doing business. But even if they avoid that trap, it's still usual for them to find themselves on the hook for all recording costs, including paying the producer, production costs, tour costs, marketing costs, and travel, plus all (or at least half) the cost of any videos. To make things worse, musicians are often required to use the label's internal suppliers or preferred partners for these services, and these suppliers engage in ghastly price gouging, knowing their "customers" have no choice but to pay whatever number appears on the invoice.[155]
>
> The structure of these deals reveals why it's so difficult for even "successful" acts to recoup. Consider a 1970s-era group, advanced forty

[155] Giblin and Doctorow, *Chokepoint Capitalism*, pp. 52–53.

> thousand dollars (ten thousand each to keep them going for the two years or so it took to make the record) plus recording and tour costs of $110,000, on a contract with a 5 percent royalty. For every hundred dollars their music brings in, ninety-five goes direct to the label, and five goes toward chipping away at their debt. It's not until their music has generated three million that the original $150,000 debt will finally be erased, and the band will start to be paid for the first time since they received that initial advance (still, just five dollars for every hundred their music brings in).[156]

And in music as in other industries, draconian digital copyright laws have enabled intensified exploitation. The smarmy anti-downloading cliché "Creators deserve to be paid" is, in reality, nothing but a self-serving propaganda slogan invented by media corporations — the very entities primarily responsible for seeing that creators do *not* get paid. A 2018 Techdirt *article* reported that only 12% of music revenue from listener payments actually went to artists; the rest went to middlemen — i.e. streaming platforms or record labels.[157]

The music industry's copyright-maximalist business model is also a great impediment to musical innovation. Music traditionally pursued a folk model, in which artists were inspired by and riffed off of each other's songs — in other words, what the RIAA calls "theft." As Jon Caramanica at the *New York Times* argues,

> Occasionally, pop innovates in a hard stylistic jolt, or an outlier comes to rapid prominence…,

[156] *Ibid*., p. 54.

[157] Mike Masnick, "Only 12 % of Music Revenue Goes To Actual Artists," *Techdirt*, August 21, 2018 <https://www.techdirt.com/2018/08/21/only-12-music-revenue-goes-to-actual-artists/>.

> automated ouroboros that throws billions in ad engagement dollars their way without concerns about any of the pesky stuff like product quality, audience interest, public welfare, or folks eager to be paid a living wage.
>
> There's no interest in journalism or even editorial ethics here; Sports Illustrated not only created fake people with fake headshots and fake bylines, they constantly rotated new fake reporters in and out without any transparency with readers or staff. There's a lack of ethics and competency that's a problem before language learning models even enter the frame.[187]

There's a reason the quality of prose in bot-written articles is so mediocre — or, as Ronke Babajide terms it, "idiocracy on steroids":

> AI gives us the most likely output for any request. And the probability that a text is mediocre is much higher than the probability that it is great. And that is precisely the problem.
>
> AI amplifies and reproduces the most mediocre, interchangeable results that humanity has produced in the last centuries.[188]

Overall, the impact of AI-generated content, if the trend continues to its logical conclusion, will be to drown any remaining useful and relevant content in a sea of bot-generated

[187] Karl Bode, "Sports Illustrated The Latest To Bare Its Entire Ass Thanks To Laziness, Greed, And Half-Cooked 'AI'," *Techdirt*, November 29, 2023 <https://www.techdirt.com/2023/11/29/sports-illustrated-the-latest-to-bare-its-entire-ass-thanks-to-laziness-greed-and-half-cooked-ai/>.

[188] Ronke Babajide, "How Our New Exciting AI Tools Are Accelerating the Enshittification of Our World," *Medium*, November 7, 2023 <https://medium.com/the-point-of-view/how-our-new-exciting-ai-tools-are-accelerating-the-enshittification-of-our-world-3957515345c9>.

CNET editor Connie Guglielmo issued a specimen of Official Happy Talk worthy of Twitter/X CEO Linda Yaccarino: "Expect CNET to continue exploring and testing how AI can be used to help our teams as they go about their work testing, researching and crafting the unbiased advice and fact-based reporting we're known for."[185]

Gannett experienced a similar embarrassment, being "forced to pause its use of AI earlier this year because the resulting product was laughably bad and full of obvious errors." Then again in October, it "once again [came] under fire for allegedly making up writer bylines as cover for a different low-quality AI experiment."[186] It was oddly appropriate, considering Gannett was already notorious as one of the first McNewspaper chains to buy up and enshittify local papers nationwide.

The latest example — it was in the news just this past week, at the time of writing — was *Sports Illustrated*. SI joined the ranks of other companies that, in the words of Karl Bode, have made it "very clear they see [Large Language Models] primarily as a way to attack labor and cut corners, resulting in soulless and low quality product, oodles of plagiarism, and no shortage of employee ill will."

> So many of the executives at major media giants genuinely view AI as a way to create an automated ad-engagement machine that effectively shits money for pennies on the dollar. Just a giant,

[185] Mia Sato and Emma Roth, "CNET found errors in more than half of its AI-written stories," *The Verge*, January 25, 2023 <https://www.theverge.com/2023/1/25/23571082/cnet-ai-written-stories-errors-corrections-red-ventures>.

[186] Karl Bode, "The AI Journalism 'Revolution' Continues To Go Poorly As Gannett Accused Of Making Up Fake Humans To Obscure Lazy AI Use," *Techdirt*, October 27, 2023 <https://www.techdirt.com/2023/10/27/the-ai-journalism-revolution-continues-to-go-poorly-as-gannett-accused-of-making-up-fake-humans-to-obscure-lazy-ai-use/>.

> but more often, it moves as a kind of unconscious collective. An evolutionary step is rarely the product of one person working in isolation; it is one brick added atop hundreds of others.
>
> Originality is a con: Pop music history is the history of near overlap. Ideas rarely emerge in complete isolation. In studios around the world, performers, producers and songwriters are all trying to innovate just one step beyond where music currently is, working from the same component parts. It shouldn't be a surprise when some of what they come up with sounds similar — and also like what came before.
>
> …Every song benefits from what preceded it, whether it's a melodic idea, a lyrical motif, a sung rhythm, a drum texture. A forensic analysis of any song would find all sorts of pre-existing DNA.[158]

It's reached the point where musical creation is too legally risky, and potentially costly, for an increasing number of small creators. At Rolling Stone, Amy Wang observed:

> In the five years since a court ruled that "Blurred Lines" infringed on Marvin Gaye's 1977 "Got to Give It Up," demanding that Thicke and Williams fork over $5 million to the Gaye estate for straying too close to the older song's "vibe," the once-sleepy realm of music copyright law has turned into a minefield…. Across genres, artists are putting out new music with the same question in the backs of their minds: Will this song get me sued?

[158] Jon Caramanica, "It's Got a Great Beat, and You Can File a Lawsuit to It," *New York Times*, January 6, 2020 <https://www.nytimes.com/2020/01/06/arts/music/pop-music-songs-lawsuits.html>.

Thanks to the "Blurred Lines" ruling, copyright laws — which used to protect only lyrics and melodies — can now be applied to "the far more abstract qualities of rhythm, tempo, and even the general feel of a song," so that "a song can be sued for *feeling* like an earlier one."

Big labels can afford professional musicologists to vet songs for potential liability. Smaller independent artists can't. The insurance industry has responded with policies that insure musical artists against several million in copyright lawsuit losses. But because these policies can run anywhere from $20 million to $250 million a year, the cost is just another way to lock smaller artists out and deter creativity.[159]

In publishing, as well, industry consolidation in the hands of fewer and fewer vulture capitalists is accelerating the process of enshittification. Cory Doctorow points out that

> publishing's contraction into a five-company cartel didn't occur in a vacuum. It was a normal response to monopolization elsewhere in its supply chain. First it was bookselling collapsing into two major chains. Then it was distribution going from 300 companies to three. Today, it's Amazon, a monopolist with unlimited access to the capital markets and a track record of treating publishers "the way a cheetah would pursue a sickly gazelle…."[160]

But the process, already long underway, is picking up further steam thanks to asset management vultures making their first venture into the book publishing industry. This past August, Paramount announced its intent to sell its publishing

[159] Amy X. Wang, "How Music Copyright Lawsuits Are Scaring Away New Hits," *Rolling Stone*, January 9, 2020 <https://www.rollingstone.com/pro/features/music-copyright-lawsuits-chilling-effect-935310/>.

[160] Cory Doctorow, "Private equity plunderers want to buy Simon & Schuster," *Pluralistic*, August 8, 2023 <https://pluralistic.net/2023/08/08/vampire-capitalism/>.

> The use case for AI is spam videos that advertise malware.
>
> The use case for AI is spam sales sites on Etsy.
>
> The use case for AI is spam science fiction story submissions. Clarkesworld had to close submissions because of the flood of unusable generated garbage. The robot apocalypse in action….
>
> For commercial purposes, the only use case for AI is still to replace quality work with cheap ersatz bot output — in the hope of beating down labor costs….
>
> Microsoft put $10 billion into OpenAI. The Bing search engine added AI chat — and it had almost no effect on user numbers. It turns out that search engine users don't want weird bot responses full of errors.[184]

Under the heading of replacing quality work with cheap ersatz bot output, online news content threatens to be one of the first casualties.

Early this year, CNET was caught having published dozens of AI-generated articles. In response, CNET announced it was "pausing" the practice. The bot-written content was

> designed to game Google searches with SEO-friendly keywords so lucrative affiliate ads can be plastered on the pages. *CNET*'s parent company, Red Ventures, which also owns publications like Bankrate, *The Points Guy*, and CreditCards.com, stands to benefit every time a reader signs up for a credit card from one of the highly trafficked articles.

[184] Castor and Gerard, "Pivot to AI: Pay no attention to the man behind the curtain."

of AI investment — unlike previous ones, which were largely funded by the Pentagon — is almost entirely venture capitalist-driven.[182] That means the business strategy is a classic bezzle[183]: to pump up asset values in the short term and then dump it on the suckers.

And its tangible results across the entire range of applications, so far, amount almost entirely to enshittification.

> OpenAI's AI-powered text generators fueled a lot of the hype around AI — but the real-world use case for large language models is overwhelmingly to generate content for spamming.
>
> The use case for AI is spam web pages filled with ads. Google considers LLM-based ad landing pages to be spam, but seems unable or unwilling to detect and penalize it.
>
> The use case for AI is spam books on Amazon Kindle. Most are "free" Kindle Unlimited titles earning money through subscriber pageviews rather than outright purchases.
>
> The use case for AI is spam news sites for ad revenue.
>
> The use case for AI is spam phone calls for automated scamming — using AI to clone people's voices.
>
> The use case for AI is spam Amazon reviews and spam tweets.

[182] Amy Castor and David Gerard, "Pivot to AI: Pay no attention to the man behind the curtain," *Amy Castor*, September 12, 2023 <https://amycastor.com/2023/09/12/pivot-to-ai-pay-no-attention-to-the-man-behind-the-curtain/>.

[183] Rita Smith, "Uber is a bezzle," *Road Warrior News*, August 11, 2021 <https://roadwarriornews.com/uber-is-a-bezzle-doctorow/>.

property, Simon & Schuster, to the notorious private equity firm KKR — the company that sucked all the bodily fluids out of Toys R Us and discarded its shriveled skin.[161] Carter Dougherty and Andrew Park, at *The Atlantic*, elaborate on the implications for the publisher:

> On its face, the Simon & Schuster acquisition appears to be a standard private-equity deal, which is precisely the problem. Private equity is the anodyne label adopted after "leveraged buyouts" got a bad name, in part thanks to KKR's ravaging of RJR Nabisco after a $25 billion takeover in 1988. In a leveraged buyout, the buyer takes over a company with a small amount of its own money, a larger amount of investors' money, and a whole lot of debt. KKR agreed to pay $1.62 billion for Simon & Schuster, of which $1 billion will reportedly be borrowed money.
>
> From the perspective of the private-equity firm, leverage is a feature, not a bug. Purchase a company for $100 million in cash with no debt, make $5 million in profit annually, and it will deliver a return of 5 percent. Buy the same company using 60 percent debt, and that same profit in absolute terms yields a 12.5 percent return.
>
> Crucially, Simon & Schuster, not KKR, is responsible for repaying the debt. KKR simply raises it, against the publisher's franchise value, to fund the acquisition. Lenders have no recourse to KKR or its executives, who are legally shielded from liability.…
>
> Based on terms granted to similarly rated borrowers, and on our analysis of Bloomberg data on re-

[161] *Ibid*.,

> cent transactions, Simon & Schuster would have to pay interest rates above 9 percent. That would cost the publisher nearly $100 million, about 40 percent of operating income in 2022, on interest alone. In raw financial terms, the transaction will weaken Simon & Schuster the moment it closes, never mind what KKR does as an owner.

Dan Sinykin, an academic analyst of the publishing industry, anticipates new levels of enshittification as Simon & Schuster responds to cost-cutting imperatives. He predicts that "KKR will double down even more than big publishers already have on proven authors or celebrity memoirs, at the expense of riskier unknown writers.... To a cost-cutter, established brands substitute for expensive marketing."[162]

But academic publishing, in particular, is the poster child for enshittification. It's a textbook model of how rent extraction from intellectual property can approach its theoretical maximum through institutional collusion and exploitation of a captive clientele.

According to Heather Morrison, one academic journal publisher alone — Elsevier — made over $2 billion in profits, or $730 in profit for every article it published.[163] In 2011 the profit margins of the largest academic journals approached 40%.[164] Elsevier and the other top three publishers of academic journals,

[162] Carter Dougherty and Andrew Park, "Private Equity Comes for Book Publishing," *The Atlantic*, September 9, 2023 <https://www.theatlantic.com/ideas/archive/2023/09/private-equity-simon-and-schuster/675261/>.

[163] Heather Morrison, "Elsevier 2009 $2 billion profits could fund worldwide OA at $1,383 per article," *The Imaginary Journal of Poetic Economics*, April 7, 2010 <https://poeticeconomics.blogspot.com/2010/04/elsevier-2009-2-billion-profits-could.html>.

[164] David Harvie, Geoff Lightfoot, Simon Lilley, and Kenneth Weir, "Publisher, be damned! From price gouging to the open road," *Prometheus: Critical Studies in Innovation* 31:3 (2013), p. 231.

> metrics the company had used to calculate time spent on videos were wrong. The Wall Street Journal reported in September 2016, three months after the Fortune panel, that Facebook had "vastly overestimated average viewing time for video ads on its platform for two years" by as much as "60 to 80 percent." The company apologized in a blog post: "As soon as we discovered the discrepancy, we fixed it."
>
> A lawsuit filed by a group of small advertisers in California, however, argues that Facebook had known about the discrepancy for at least a year — and behaved fraudulently by failing to disclose it.

And further, contrary to Facebook's claims to have overestimated by 80% at most, it turned out that the overestimate was by anywhere from 150% to 900%.[180]

But as usual, the senior management who most enthusiastically embrace the latest "best practice," based on recommendations from other equally clueless senior managers, are the last to acknowledge the lessons of experience. As late as 2021, six years after the birth of the pivot to video mania and almost as long after its fraudulence was exposed, Vice announced its intent to "'reduce the number of old-fashioned text articles on Vice.com, Refinery29 and another Vice-owned site, i-D, by 40 to 50 percent,' while increasing videos and visual stories on Instagram and YouTube 'by the same amount'."[181]

But if you thought the pivot to video was bad, wait till the current newest New Thing, the pivot to AI, runs its course. According to Amy Castor and David Gerard, the latest wave

[180] Kosoff, "Was the Media's Big 'Pivot to Video' All Based on a Lie?"

[181] Laura Hazard Owen, "Facebook's pivot to video didn't just burn publishers. It didn't even work for Facebook," *NiemanLab*, September 15, 2021 <https://www.niemanlab.org/2021/09/well-this-puts-a-nail-in-the-news-video-on-facebook-coffin/>.

will shift to an all-video format…This means that we will be phasing out written stories."

— **Bleacher Report, February 2017:** "A majority of the cuts were within the editorial operations department…With Bleacher Report investing more on higher-quality content, including original video and prominent writers like Howard Beck, these positions were no longer necessary to the company."

— **Mashable, April 2016:** "We are now equally adept at telling stories in text and video, and those stories now live on social networks, over-the-top services and TV. Our ads live there too, with branded content now at the center of our ad offering. To reflect these changes, we must organize our teams in a different way. Unfortunately this has led us to a very tough decision. Today we must part ways with some of our colleagues in order to focus our efforts."[179]

This mindless groupthink, indulged in by news organizations despite their own best judgment, is why we can't read an online article in any major news magazine or newspaper of record without a video popping up on autoplay.

But it turned out that the metrics on which Facebook based the pivot to video — and on which its online imitators based their buy-in — were extremely faulty. And worse yet, Facebook was aware of the fact for some time while continuing to promote it dishonestly.

> But even as Facebook executives were insisting publicly that video consumption was skyrocketing, it was becoming clear that some of the

[179] Owen, "Did Facebook's faulty data push news publishers to make terrible decisions on video?"

between them, publish 42% of academic articles.[165] One reason for the high profit margins is that most of the labor involved in producing content — namely, writing and peer-reviewing the articles — is provided for free by academics whose livelihoods are provided by the universities that employ them. At the same time, a major share of revenue comes from online sales, where the primary cost is web hosting and there are no printing or shipping costs.[166]

George Monbiot accused academic journals of making Rupert Murdoch "look like a socialist":

> You might resent Murdoch's paywall policy, in which he charges £1 for 24 hours of access to the Times and Sunday Times. But at least in that period you can read and download as many articles as you like. Reading a single article published by one of Elsevier's journals will cost you $31.50. Springer charges €34.95, Wiley-Blackwell, $42. Read 10 and you pay 10 times. And the journals retain perpetual copyright. You want to read a letter printed in 1981? That'll be $31.50.

Of course you could read a print copy at the library, but that would only be pushing the problem off on someone else. Libraries pay an average cost of $3,792 for a year's subscription to a chemistry journal. You read that correctly; that was *supposed* to be a four-digit number. And that's only the average; Elsevier's *Biochimica et Biophysica Acta* is $20,930 a year.[167] Those numbers are from 2011, by the way; since subscription prices for academic journals go up faster than the general infla-

[165] George Monbiot, "Academic publishers make Murdoch look like a socialist," *The Guardian*, August 29, 2011 <https://www.theguardian.com/commentisfree/2011/aug/29/academic-publishers-murdoch-socialist>.

[166] Harvie, *et al.*, "Publisher, be damned!" pp. 231, 233.

[167] Monbiot, "Academic publishers make Murdoch look like a socialist."

tion rate, university libraries are no doubt nostalgic for them now.

To understand the power position that these companies hold over academic researchers, you have to remember that a particular academic article is a unique good for which there is no adequate substitute. The academic publisher holds a monopoly over a given article, and a scholar who needs it for their research cannot buy it from a competitor. As an antitrust complaint to the EU put it,

> publishers do not realistically compete with each other, as all their products are fundamentally unique (i.e., each publisher has a 100% market share for each journal or article), and unequivocally in high demand due to the way scholarly research works. The result of this is that consumers (i.e., research institutions and libraries) have little power to make cost-benefit evaluations to decide whether or not to purchase, and have no choice but to pay whatever price the publishers asks with little transparency over costs, which we believe is a primary factor that has contributed to more than a 300% rise in journal prices above inflation since 1986. Thus, we believe that a functional and competitive market is not currently able to form due to the practices of dominant players, like Elsevier, in this sector.[168]

It's true that, in practice, Elsevier's and other publishers' monopolies can be circumvented by such expedients as finding

[168] Glyn Moody, "Leading Open Access Supporters Ask EU To Investigate Elsevier's Alleged 'Anti-Competitive Practices'," *Techdirt*, November 8, 2018 <https://www.techdirt.com/2018/11/08/leading-open-access-supporters-ask-eu-to-investigate-elseviers-alleged-anti-competitive-practices/>.

to make Mic the leader in visual journalism and we need to focus the company to deliver on our mission." [Facebook's Mendelsohn, 2015: "Visual communication allows us to sustain the break-neck pace of modern life in a world where we're sending nearly four billion emails a day and checking our phones at least four times an hour…We couldn't handle all this information if an increasingly large part of it wasn't visual."]

— **Vice (July 2017):** "Vice Media is laying off about 2 percent of its 3,000 employees across multiple departments while at the same time the company is looking expand internationally and ramp up video production."

"Cutting jobs is necessary to put more resources into video production, a Vice spokesman said."

— **MTV News, June 2017:** "While we're proud of the longform editorial work from the past two years, we're returning the editorial operation to its roots of amplifying the audiences' voices and shifting resources into short-form video content more in line with young people's media consumption habits."

— **Fox Sports, June 2017:** "We will be shifting our resources and business model away from written content and instead focus on our fans' growing appetite for premium video across all platforms."

— **Vocativ, June 2017:** "We've seen a shift in digital publishing in favor of distribution on social media and other platforms, along with a dramatic increase in demand for captivating video content…Today, we are announcing that Vocativ

> those publishers doubted the trend based on their own experiences, and even as research conducted by outside organizations continued to suggest that the video trend was overblown and that news readers preferred text….
>
> …What is clear… is that plenty of news publishers made major editorial decisions and laid off writers based on what they believed to be unstoppable trends that would apply to the news business….[177]

The response of media organizations, not to put too fine a point on it, was lemming-like.

> During the period of purported wrongdoing, from July 2015 to June 2016, journalists and newsroom leaders across the country worked to cover an unprecedented presidential campaign in an information landscape that Facebook was constantly, and erratically, transforming…. As media companies desperately tried to do what Facebook wanted, many made the disastrous decision to "pivot to video," laying off reporters and editors by the dozen.[178]

Laura Hazard Owen lists some of the announcements by online media outlets during the pivot to video craze:

> — **Mic (August 2017):** "We made these tough decisions because we believe deeply in our vision

[177] Owen, "Did Facebook's faulty data push news publishers to make terrible decisions on video?"

[178] Alexis C. Madrigal and Robinson Meyer, "How Facebook's Chaotic Push Into Video Cost Hundreds of Journalists Their Jobs," *The Atlantic*, October 18, 2018 <https://www.theatlantic.com/technology/archive/2018/10/facebook-driven-video-push-may-have-cost-483-journalists-their-jobs/573403/>.

preprints on authors' Academia.edu or Researchgate pages, or pirated copies on Library Genesis or SciHub. But academic publishers are doing their best, obviously, to use the law to shut down such alternatives. And university and library administrators are generally quite compliant with copyright law, and complicit with publishers in forbearing to recommend the illegal alternatives.

As for academic book publishers, anyone who has to buy a new set of college texts every semester will understand that racket from direct experience. Like academic journals, textbook publishers are able to set prices with virtual impunity because they are dealing with a captive clientele. Consider a math professor at Cal State Fullerton, who risked disciplinary action.

> His crime? Refusing to teach the assigned textbook, which costs $180 and was co-written by the chair and vice-chair of his academic department. According to the Register, the mathematics department decided way back in 1984 to "approve" the text and hasn't revisited its decision since. Bourget wanted to use two other textbooks instead — one of which costs $76, and the other of which was free.

"College textbook publishers charge vast and extortionate amounts for their textbooks for one simple reason," Henry Farrell writes.

> They do it because they can. Students usually have to take a few required big courses for their major, and they *have* to buy the required textbooks for these courses. This means that the market is price insensitive (which is economic jargon for saying that demand doesn't go down as much as it should

> when prices go up). Professors often don't care as much as they should about the costs of the textbooks — after all, they don't have to pay those costs themselves. Students *do* usually care, but they don't have any choice in the matter — they have to buy the textbooks they are required to buy. Businesses can make big, big profits from selling to price-insensitive markets, since they can jack up prices without weakening demand for their product.[169]

Newspapers are yet another print medium being enshittified by consolidation working together with private equity. Consider Heath Freeman, the hedge fund manager who acquired the *Boston Globe* in 2018. Bloomberg columnist Joe Nocera, who compares Freeman unfavorably to Gordon Gekko, recounts the track record of Freeman's fund Alden Global Capital, which now owns 97 papers. Freeman, he says, sees the primary function of the newspapers Alden acquires as providing cash cows for other investments. Alden Global Capital cuts costs by gutting journalistic staff:

> …[T]he staff of the Denver Post has fallen from 184 journalists to 99 between 2012 and 2017. The Pottstown Mercury in Pennsylvania went from 73 journalists in 2012 to 19 in 2017. That's right: 19. The Norristown Times-Herald, also in Pennsylvania, shrank from 45 journalists to 12. The San Jose Mercury News and the Orange County Register, both of which had been dominant papers in their regions before Alden Global bought them, have also been decimated by layoffs….

[169] Henry Farrell, "College textbooks are a racket," *Washington Post*, October 21, 2015 <https://www.washingtonpost.com/news/monkey-cage/wp/2015/10/21/college-textbooks-are-a-racket/>.

> of video," Zuckerberg told BuzzFeed News in April 2016. "I wouldn't be surprised if you fast-forward five years and most of the content that people see on Facebook and are sharing on a day-to-day basis is video."[175]

The influence of Zuckerberg's video bandwagon went far beyond Facebook. In response to Mendelsohn and Zuckerberg,

> advertisers and publishers alike began pouring resources into video, at times firing entire teams of writers to instead hire producers to string together short-form, "snackable" video content. But just four months later, Facebook disclosed a crucial error. For the past two years, the company admitted in an August 2016 post on its advertising help center page, it had massively overestimated the average viewing time for video ads on its platform.[176]

Facebook's pivot had an enormous impact on the decisions of news organizations, which were

> grappling with how to allocate editorial staff and what kinds of content creation to prioritize. News publishers' "pivot to video" was driven largely by a belief that if Facebook was seeing users, in massive numbers, shift to video from text, the trend must be real *for news video too* — even if people within

[175] Laura Hazard Owen, "Did Facebook's faulty data push news publishers to make terrible decisions on video?" *NiemanLab*, October 17, 2018 <https://www.niemanlab.org/2018/10/did-facebooks-faulty-data-push-news-publishers-to-make-terrible-decisions-on-video/>.

[176] Maya Kosoff, "Was the Media's Big 'Pivot to Video' All Based on a Lie?" *Vanity Fair*, October 17, 2018 <https://www.vanityfair.com/news/2018/10/was-the-medias-big-pivot-to-video-all-based-on-a-lie>.

> railroad jobs moving to Topeka, is dominated by syndicated national columnists.[174]

Online news, including online versions of print publications, hasn't escaped the enshittification process either. Online news sites have yet to recover from the so-called "pivot to video." In fact it still continues to drive further enshittification and misallocation of resources, despite having been revealed to be Mark Zuckerberg's version of the Emperor's new clothes.

The original impetus behind the pivot to video, unsurprisingly, was a grandiose 2016 strategy by the living embodiment of enshittification: Facebook.

> In June 2016, Nicola Mendelsohn, Facebook's VP for Europe, the Middle East and Africa, spent several minutes of a panel at a Fortune conference talking about how Facebook was witnessing video overtake text.
>
> "We're seeing a year-on-year decline on text," Mendelsohn answered. "We're seeing a massive increase, as I've said, on both pictures and video. So I think, yeah, if I was having a bet, I would say: Video, video, video."…
>
> "The best way to tell stories, in this world where so much information is coming at us, actually is video," Mendelsohn continued. "It commands so much more information in a much quicker period. So actually, the trend helps us to digest more of the information, in a quicker way."
>
> "Five years to all video" wasn't just Mendelsohn's line — it came from Facebook CEO Mark Zuckerberg himself. "We're entering this new golden age

[174] Elain Godfrey, "What We Lost When Gannett Came to Town," The Atlantic, October 5, 2021 <https://www.theatlantic.com/politics/archive/2021/10/gannett-local-newspaper-hawk-eye-iowa/619847/>.

> Can you really cover a metro area of over 2 million people with 66 journalists? Of course not. Although those running his papers claim the cuts are driven by necessity, the layoffs seem far in excess of what's happening elsewhere in the industry. Instead, it appears that Freeman is cutting costs so he can pull out cash, and then, as the business dwindles because the product is damaged, he cuts some more, pulling out yet more cash while further damaging the product.
>
> "There's no long-term strategy other than milking and continuing to cut," the "Newsonomics" writer Ken Doctor told the journalist Julie Reynolds. "Their view is that in 2021, they'll deal with that then. Whatever remnants are there, they'll try to find a buyer." Actually, at the rate Freeman is going, there may not be any remnants by 2021.
>
> And what is Freeman doing with the cash? According to a recent lawsuit, he is siphoning it into some of his hedge fund's poorly performing investments. Among other things, Alden Global invested $80 million in Homex, "a bankrupt developer charged by the Securities and Exchange Commission with committing the biggest real estate fraud in Mexican history," as Reynolds put it. Most recently, again according to the lawsuit, it plowed $158 million into a failing pharmacy chain, Fred's Inc.
>
> Indeed, without the ability to bleed his papers dry, one has to wonder whether Freeman would even have a hedge fund at this point.[170]

[170] Joe Nocera, "Imagine if Gordon Gekko Bought News Empires," *Bloomberg*, March 26, 2018 <https://www.bloomberg.com/view/articles/

The *Chicago Tribune*, also bought up by Alden, underwent a similar process of asset-stripping.

> Two days after the deal was finalized, Alden announced an aggressive round of buyouts. In the ensuing exodus, the paper lost the Metro columnist who had championed the occupants of a troubled public-housing complex, and the editor who maintained a homicide database that the police couldn't manipulate, and the photographer who had produced beautiful portraits of the state's undocumented immigrants, and the investigative reporter who'd helped expose the governor's offshore shell companies. When it was over, a quarter of the newsroom was gone.
>
> …Meanwhile, the *Tribune*'s remaining staff, which had been spread thin even before Alden came along, struggled to perform the newspaper's most basic functions. After a powerful Illinois state legislator resigned amid bribery allegations, the paper didn't have a reporter in Springfield to follow the resulting scandal.[171]

Julie Reynolds describes Alden as "one of the slimiest corporate villains of our time." Alden's press subsidiary, Digital First Media, has "eliminated a staggering two out of every three staff positions at its media properties." And Alden "'borrowed' $248.5 million from newspaper workers' pension funds, and had the newspapers take on $200 million in debt to finance its own investments."

2018-03-26/alden-global-capital-s-business-model-destroys-newspapers-for-little-gain>.

[171] McKay Coppins, "A Secretive Hedge Fund is Gutting Newsrooms: Inside Alden Global Capital," *The Atlantic*, October 21, 2021 <https://www.theatlantic.com/magazine/archive/2021/11/alden-global-capital-killing-americas-newspapers/620171/>.

> Furthermore, court records bolstered by additional shoe-leather reporting reveal that the top executives of Alden Global Capital have rewarded themselves with tens of millions of dollars' worth of prime real estate in Florida and the Hamptons for their personal enjoyment. They have also plowed hundreds of millions of dollars bled from their newspapers into non-journalistic investments across the United States and around the world, many of which are at best ethically questionable.[172]

Acquisition of newspapers by private equity, predictably, tends to result in the "evisceration of local news."[173] After all, local news coverage — the main job of an independent local newspaper — requires dedicated reporters. McNewspaper chains, on the other hand, can run national news duplicated from wire services and commentary and features from the syndicates. Consider the decline in quality at the once-respected independent local newspaper, the Burlington, Iowa *Hawk Eye*, after it was bought out by Gannett.

> These days, most of *The Hawk Eye*'s articles are ripped from other Gannett-owned Iowa publications, such as *The Des Moines Register* and the *Ames Tribune*, written for a readership three hours away. The Opinion section, once an arena for local columnists and letter writers to spar over the merits and morals of riverboat gambling and

[172] Julie Reynolds, "Meet the Vulture Capitalists Who Savaged 'The Denver Post'," *The Nation*, April 13, 2018 <https://www.thenation.com/article/archive/meet-the-vulture-capitalists-who-savaged-the-denver-post/>.

[173] Michael Ewens, Arpit Gupta, and Sabrina T. Howell, "Local Journalism Under Private Equity Ownership." Working Paper 29743 (Cambridge, MA: National Bureau of Economic Research, February 2022), pp. 1–2.