The Subsidy of History

Kevin Carson

1 June 2008

Contents

A considerable number of libertarian commentators have remarked on the sheer scale of subsidies and protections to big business, on their structural importance to the existing form of corporate capitalism, and on the close intermeshing of corporate and state interests in the present state capitalist economy. We pay less attention, however, to the role of past state coercion, in previous centuries, in laying the structural foundations of the present system. The extent to which present-day concentrations of wealth and corporate power are the legacy of past injustice, I call the subsidy of history.

The first and probably the most important subsidy of history is land theft, by which peasant majorities were deprived of their just property rights and turned into tenants forced to pay rent based on the artificial "property" titles of state-privileged elites.

Of course, all such artificial titles not founded on appropriation by individual labor are completely illegitimate.

As Ludwig von Mises pointed out in *Socialism*, the normal functioning of the market never results in a state of affairs in which most of the land of a country is "owned" by a tiny class of absentee landlords and the peasant majority pay rent for the land they work. Wherever it is found, it is the result of past coercion and robbery.

Murray Rothbard, in *The Ethics of Liberty*, explained the injustice of feudal landlordism:

> But suppose that centuries ago, Smith was tilling the soil and therefore legitimately owning the land; and then that Jones came along and settled down near Smith, claiming by use of coercion the title to Smith's land, and extracting payment or "rent" from Smith for the privilege of continuing to till the soil. Suppose that now, centuries later, Smith's descendants (or, for that matter, other unrelated families) are now tilling the soil, while Jones's descendants, or those who purchased their claims, still continue to exact tribute from the modern tillers.Where is the true property right in such a case? It should be clear that here . . . we have a case of continuing aggression against the true owners—the true possessors—of the land, the tillers, or peasants, by the illegitimate owner, the man whose original and continuing claim to the land and its fruits has come from coercion and violence. Just as the original Jones was a continuing aggressor against the original Smith, so the modern peasants are being aggressed against by the modern holder of the Jones-derived land title. In this case of what we might call "feudalism" or "land monopoly," the feudal or monopolist landlords have no legitimate claim to the property. The current "tenants," or peasants, should be the absolute owners of their property, and, as in the case of slavery, the land titles should be transferred to the peasants, without compensation to the monopoly landlords.

So rather than defending all existing land titles in the name of the "sanctity of property" and protesting when some left-wing government institutes a land reform that transfers feudal land titles to the peasantry, Rothbard favored 1) dividing up Southern plantations and giving freed American slaves "forty acres and a mule," and 2) transferring the latifundia from Latin American landed oligarchies to the peasants.

In the Old World, especially Britain (where the Industrial Revolution began), the expropriation of the peasant majority by a politically dominant landed oligarchy took place over several centuries in the late medieval and early modern period. It began with the enclosure of the open fields in the late Middle Ages. Under the Tudors, Church fiefdoms (especially monastic lands)

were expropriated by the state and distributed among the landed aristocracy. The new "owners" evicted or rack-rented the peasants.

Expropriating from the Peasantry

The Restoration Parliament of the seventeenth century carried out a series of land "reforms" that abolished feudal land tenure altogether—but only upward. There were two ways Parliament could have abolished feudalism and reformed property. It might have treated the customary possessive rights of the peasantry as genuine title to property in the modern sense, and then abolished their rents. But what it actually did, instead, was to treat the artificial "property rights" of the landed aristocracy, in feudal legal theory, as real property rights in the modern sense; the landed classes were given full legal title, and the peasants were transformed into tenants at will with no customary restriction on the rents that could be charged. The most important component of this "reform" was the Statute of Frauds of 1677, which nullified rights of copyhold by making them unenforceable in royal courts.

Finally, the Parliamentary Enclosures of the eighteenth and early nineteenth century robbed the peasantry of their rights of common. The propertied classes of England saw the economic independence provided by the commons as a threat, first to an adequate supply of agricultural wage labor on the landed oligarchy's own land, and later to an adequate supply of factory labor willing to work the long hours and low pay demanded by the owners. The literature of the propertied classes of the time was quite explicit on their motivation: the laboring classes would not work hard enough or cheaply enough so long as they had independent access to the means of subsistence. They had to be made as poor and hungry as possible so that they would be willing to accept work on whatever terms it was offered.

A version of the same phenomenon took place in the Third World. In European colonies where a large native peasantry already lived, states sometimes granted quasi-feudal titles to landed elites to collect rent from those already living on and cultivating the land; a good example is latifundismo, which prevails in Latin America to the present day. Another example is British East Africa. The most fertile 20 percent of Kenya was stolen by the colonial authorities, and the native peasantry evicted, so the land could be used for cash-crop farming by white settlers (using the labor of the evicted peasantry, of course, to work their own former land). As for those who remained on their own land, they were "encouraged" to enter the wage-labor market by a stiff poll tax that had to be paid in cash. Multiply these examples by a hundred and you get a bare hint of the sheer scale of robbery over the past 500 years.

Contrary to Mises's rosy version of the Industrial Revolution in *Human Action*, factory owners were not innocent in all of this. Mises claimed that the capital investments on which the factory system was built came largely from hard-working and thrifty workmen who saved their own earnings as investment capital. In fact, however, they were junior partners of the landed elites, with much of their investment capital coming either from the Whig landed oligarchy or from the overseas fruits of mercantilism, slavery, and colonialism.

In addition, factory employers depended on harsh authoritarian measures by the government to keep labor under control and reduce its bargaining power. In England the Laws of Settlement acted as a sort of internal passport system, preventing workers from traveling outside the parish of their birth without government permission. Thus workers were prevented from "voting with

their feet" in search of better-paying jobs. You might think this would have worked to the disadvantage of employers in underpopulated areas, like Manchester and other areas of the industrial north. But never fear: the state came to the employers' rescue. Because workers were forbidden to migrate on their own in search of better pay, employers were freed from the necessity of offering high enough wages to attract free agents; instead, they were able to "hire" workers auctioned off by the parish Poor Law authorities on terms set by collusion between the authorities and employers.

Legalized Discrimination Against Laborers

The Combination Laws, which prevented workers from freely associating to bargain with employers, were enforced entirely by administrative law without any protections of common-law due process. And they were only enforced against combination by workers, not against combination by employers (such as blacklisting "troublemakers" and collusive setting of wages). The Riot Act (1714) and other police-state legislation during the Napoleonic Wars were used to stem the threat of domestic revolution, essentially turning the English working class into an occupied enemy population. Such legislation criminalized most forms of association.

Even fraternal associations for mutual aid, burial and sick benefits, and the like operated in the face of hostility from the state, according to historians of the friendly-society movement such as Bob James and Peter Gray. Under the terms of the Combination Act, friendly societies were subjected to close judicial supervision lest direct craft production be organized for barter among the unemployed, or the societies' benefits cross the line and function as de facto unemployment insurance for striking workers. The Corresponding Societies Act, passed around the same time, prohibited all societies that administered secret oaths or were federated on a national scale.

So the Industrial Revolution was, in fact, built on a system of legal peonage in which employers were directly implicated. The form taken by the factory system surely reflects this history. In a Britain composed of peasant smallholders, with no restraints on free association, workers would have been free to mobilize their own properties as capital through mutual credit institutions. Absentee ownership and hierarchy would likely have been far, far less prevalent, and the factory system where it existed far less oppressive and authoritarian.

A similar process occurred in the colonization of settler societies like America and Australia, by which the colonial powers and their landed elites attempted to replicate feudal patterns of property ownership. In such colonies, the state preempted ownership of vacant land and restricted working people's access to it. Sometimes they gave title to vacant land to privileged land speculators, who were able to charge rent to those who homesteaded it (the legitimate owners).

E. G. Wakefield, an early nineteenth-century British theorist of colonialism, advocated just such preemption on the same grounds that the propertied and employing classes of Britain had supported Enclosure: it was easier to hire labor on favorable terms to the employer. In England and America, he wrote:

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

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

Consequently, "[f]ew, even of those whose lives are unusually long, can accumulate great masses of wealth."

Wakefield's disciple, Thomas Merivale, wrote of the "urgent desire for cheaper and more subservient labourers—for a class to whom the capitalist might dictate terms, instead of being dictated to by them."

Land preemption was a major element of colonial policy in early American history. Gary Nash, in *Class and Society in Early America*, described land grants in colonial America comparable to those of William I in England after the Conquest. In New York, for example, the largest estates granted by the British colonial administration (after the New Netherlands was acquired in the Dutch Wars) ranged from the hundreds of thousands to over a million acres. Governors continued to grant tracts of land in the hundreds of thousands of acres to their favorites, well into the eighteenth century. Under Governor Fletcher, some three-quarters of available land was granted to 30 persons.

Albert Jay Nock, in *Our Enemy, the State*, argued that "from the time of the first colonial settlement to the present day, America has been regarded as a practically limitless field for speculation in rental values." Many leading figures in the late colonial and early republican period were prominent investors in the great land companies, including George Washington in the Ohio, Mississippi, and Potomac Companies; Patrick Henry in the Yazoo Company; Benjamin Franklin in the Vandalia Company, and so forth.

In The *Ethics of Liberty,* Rothbard condemned such preemption ("land-engrossing, where arbitrary claims to virgin land are used to keep first-transformers out of that land") on the same grounds that he criticized feudal landlordism. He called for voiding all current titles to vacant and unimproved land, and opening it up to free homesteading. In addition, in cases where current mortgage holders and landlords trace their title to state grants of land, the proper claim lies with those who first homesteaded the land, or their heirs and assigns.

The Homestead Act of 1862, an apparent exception to this general trend, was really just another illustration of it. The majority of land, rather than being claimed under the terms of the Homestead Act, was auctioned to the highest bidder. Even for land covered by the Act, according to Howard Zinn, the $200 fee was beyond the reach of many. As a result, much of the land was not homesteaded on Lockean principles at all, but initially went to speculators before being partitioned and resold to homesteaders. And compared to the 50 million acres covered by homestead legislation, 100 million acres were given away as railroad land grants during the Civil War—free of charge! In other words, the privileged classes got the gravy, and ordinary homesteaders got the bone.

Keeping the System Going

What I have described here are only the initial acts of coercion and robbery on which our existing form of industrial capitalism was founded. Of course it didn't stop there. Once the system was up and running, it depended on the state's ongoing efforts to maintain a legal structure of privilege, based on artificial property rights and artificial scarcity: enforcement of absentee titles

to vacant and unimproved land; entry barriers for the banking industry to make credit artificially expensive and scarce; the artificial property rights of patent and copyright; and more. And starting in the late nineteenth century the modern form of corporate capitalism depended on even more massive state intervention: subsidies to long-distance shipping to make market areas and firm size artificially large; the cartelizing effects of patents and tariffs; regulatory cartelization; and entire industries and sectors of the economy either brought into existence or guaranteed a taxpayer-funded market by the post-1941 perpetual war economy.

Contrary to popular mythology, the New Deal was not a departure from some preexisting idyllic state of "laissez faire." There never was anything remotely approaching laissez faire. Capitalism—that is, the existing historical system as it actually developed—has had very little to do with free markets and a great deal to do with robbery and coercion.

This is not to say that all avenues to economic advancement through independent entrepreneurship have been closed off. But it's much more of an uphill struggle than it would be in a free market, and the field is unfairly tilted in favor of the big players.

In seeking to institute a genuine free market, libertarians shouldn't lose sight of these facts. What lessons are libertarians to learn from the previous historical account?

First, there is nothing "libertarian" about the instinctive tendency to rally to the defense of existing property titles without regard to justice. As Karl Hess said in *The Libertarian Forum*, back in 1969,

> [L]ibertarianism wants to advance principles of property but . . . it in no way wishes to defend. . . all property which now is called private. Much of that property is stolen. Much is of dubious title. All of it is deeply intertwined with an immoral, coercive state system which has condoned, built on, and profited from slavery; has expanded through and exploited a brutal and aggressive imperial and colonial foreign policy, and continues to hold the people in a roughly serf-master relationship to political-economic power concentrations.

Second, in advocating free-market reform, we must consider the role of this historical legacy of injustice (the subsidy of history) in determining the winners under the present system. A "free-market reform" that simply locks in the beneficiaries of past robbery and privilege, and ratifies the past theft from which they benefit, will merely reward injustice and secure its ill-gotten gains.

From a libertarian ethical standpoint, the standard model of "privatization" (selling off state property to a large, politically connected private corporation, on terms most advantageous to the corporation) is therefore highly dubious. That's especially true considering that much of the property was created in the first place—at taxpayer expense—for the primary purpose of subsidizing the operating costs of big business. Much of the state-owned utility and transportation infrastructure in the Third World was created, at the behest of transnational financial elites, as a precondition for profitable Western capital investment. And the odious debt thus incurred, often by corrupt dictatorships acting in collusion with global finance, is then used by the World Bank to blackmail those countries into selling off their infrastructure to the very same transnational corporations it was created to benefit—usually at pennies on the dollar.

An Appropriate Model for Privatization

Rothbard's model of privatization is far superior: to void state titles to property and treat it as unowned, subject to immediate homesteading by those actually mixing their labor with it. That would mean that state universities would be transformed into the property of their students or faculty, as consumer or producer cooperatives. Government-owned utilities would become consumer cooperatives owned by ratepayers, and state-owned factories would be handed over to the work force and reorganized as worker cooperatives.

We must also be wary of pseudo-Coasean arguments that it "doesn't matter" who the property was originally stolen from, because it will end up in the hands of the "most efficient" owner. That's essentially the same argument used for eminent domain. Regardless of whose hands the property winds up in, the rightful owners and their descendants—who never received compensation—are out the value of what was stolen from them. And even the most inefficient ways of organizing production are pretty "efficient," comparatively speaking, when you have the competitive advantage of working with stolen property.

Besides, there is no such thing as generic "efficiency"; efficiency depends on the owner's purpose. The most efficient technique for subsistence farming on a small plot—economizing on land by building soil and adding intensive labor inputs—is entirely different from that for a feudal oligarch producing cash crops with access to more stolen land than he could possibly use, and often holding a majority of his stolen land out of use altogether. In any case, the rightful owner would no doubt find it far more "efficient" to be feeding himself on his own land, than starving in a shantytown because he can't afford to buy even the cheapest food from those "efficient" plantations occupying his stolen land.

The actual system of political economy that so many corporate apologists refer to as "our free market system" has in fact been characterized from the beginning by robbery. We must beware of "free market reforms" carried out by the robbers. They amount in practice to allowing the robbers—hands still full of loot—to say: "All right, no more stealing, starting . . . now!"

Kevin Carson
The Subsidy of History
1 June 2008

Retrieved on 17 June 2023 from c4ss.org.
Originally published in *The Freeman* and online at fee.org.

usa.anarchistlibraries.net