

# Why Corporate Capitalism is Unsustainable

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I'm not a Marxist, but I find a lot of Marx's ideas useful. Old Karl certainly had a gift for turning a phrase. Nobody who could come up with something as Proudhonian as "the associated producers" could be all bad. One of his best in my opinion was that new productive forces eventually "become incompatible with their capitalist integument," at which point "the integument is burst asunder."

Another source of vivid imagery is the Preamble to the Constitution of the Industrial Workers of the World. Consider this: "... we are forming the structure of the new society within the shell of the old."

These two phrases brilliantly describe the predicament of state-fostered corporate capitalism. Capitalism as an historic system is five hundred or more years old, and the state was intimately involved in its formation and its ongoing preservation from the very beginning. But the state has been far more involved, if such a thing is possible, in the model of corporate capitalism that's prevailed over the past 150 years. The corporate titans that dominate our economic and political life could hardly survive for a year without the continuing intervention of the state in the market to sustain them through subsidies and monopoly protections.

This system is reaching its limits of sustainability. Here are some reasons why:

1. The monopolies on which it depends are increasingly unenforceable. Especially "intellectual property."
  - 1a. Copyright-based industry has already lost the fight to end file-sharing.
  - 1b. Industrial patents are only enforceable when oligopoly industry, oligopoly retail chains reduce transaction cost of enforcement — unenforceable against neighborhood garage factories using pirated CAD/CAM files.
2. Cheap production tools and soil-efficient horticulture are
  - 2a. increasing competition from self-employment
  - 2b. reducing profitable investment opportunities for surplus capital and destroying direct rate of profit (DROP)
3. State-subsidized production inputs leads to geometrically increasing demand for those inputs, outstripping the state's ability to supply and driving it into chronic fiscal crisis. For

centuries the state has provided large-scale capitalist agribusiness with privileged access to land stolen from the laboring classes. For 150 years, it has subsidized inputs like railroads, airports and highways for long-distance shipping, and irrigation water for factory farming. But as any student of Microecon 101 could tell you, subsidizing something means more and more of it gets consumed. So you get agribusiness that's inefficient in its use of land and water, and industry that achieves false economies of scale by producing for artificially large market areas. Each year it takes a larger government subsidy to keep this business model profitable.

4. Worsening tendencies toward overaccumulation and stagnation increase the amount of chronic deficit spending necessary for Keynesian aggregate demand management, also worsening the fiscal crisis. The state has built a massive military-industrial complex and created entire other industries at state expense to absorb excess investment capital and overcome the system's tendency toward surplus production and surplus capital, and sustained larger and larger deficits, just to prevent the collapse that otherwise would have already occurred.

In short, capitalism depends on ever-growing amounts of state intervention in the market for its survival, and the system is hitting the point where the teat runs dry.

The result is a system in which governments and corporations are increasingly hollowed out. And meanwhile, growing up within this corporate capitalist "integument," things like open source software and culture, open-source industrial design, permaculture and low-overhead garage micromanufacturing eat the corporate-state economy alive. An ever-growing share of labor and production are disappearing into relocalized resilient economies, self-employment, worker cooperatives and the informal and household economy. In the end, they will skeletonize the corporate dinosaurs like a swarm of piranha.

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