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Barriers to Entry and Fake Scarcities

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For decades taxi regulations have served as the textbook example of government regulations creating artificial enclosures, rents, and wage labor. In addition to a host of prohibitive regulations that even extend to the color of a driver's socks, the "medallion" system dramatically limits the number of taxi in major cities while at the same time allowing licenses to be rented and sold (prices range between hundreds of thousands of dollars and over a million in New York). Naturally this imposed scarcity has led to monopolistic situations with medallions tightly controlled by middlemen, forcing drivers to operate under capricious bosses in dire working conditions.

Today, finally, this remarkably sharp and long lasting perversion is on the verge of being dissolved. Yet there's a twist: The dam is breaking not through the longstanding efforts of grassroots organizers, but through the power of two venture capitalist juggernauts, Uber and Lyft, with their own political capital capable of contesting the entrenched monopoly interests in various cities.

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Uber and Lyft are not saints, in many ways they too rely on the state privileges. The unimaginable reserves of venture capitalist money that protects them from labor or community pressures have their roots in the extreme rents extracted from the intellectual property and banking sectors, profit that wouldn't exist without the gun of the state. Further the business models of Uber and Lyft involve corralling users — in this case would-be independent taxi drivers — into centralized “walled gardens” online and extracting rents.

Nevertheless their exploit of holes in taxi regulations and opening up of the profession to independent drivers who haven't paid exorbitant fees is an unqualified positive. While there's no guarantee Uber and Lyft won't eventually try to cut their own deal to exclude competition and enable them to prey on customers and would-be drivers with limited options, their steps have opened the door to competitors with more decentralized or cooperative models. The tide is finally turning.

Sadly this has been greeted with outrage among the less-radical ranks of the left.

It's understandable that taxi drivers who've already sunk a deep investment in the present regulation regime would be horrified at anything that might open the profession up to outsiders. The competition is certain to drive fares down, and in the present regulation regime many drivers are barely breaking even paying huge cuts of their income to dispatchers and regulators. Even if drivers could easily extricate themselves from the web of predatory ties that currently bind them and take advantage of new possibilities, watching others enter the industry without similar burdens can be galling.

Yet attempts to frame defences of taxi regulations as a matter of securing the “professionalism” of the industry are but the latest chapter in a long sad history of conservative unions fighting other workers rather than the bosses or the state by attempting to limit the labor pool through means such as laws

that forbade immigrants from getting certain jobs “out of concern for standards”. In this incredibly short-sighted mindset organizing existing workers comes first and the devil take everyone else.

In the name of saving existing jobs the naive leftist ends up protecting the wage labor system itself.

The actual radical solution is to stop relying on bosses to provide us with income; not to cling to them tighter waiting for some distant revolution but to generate jobs ourselves. The insanity of mass unemployment and precarity in a creative able-bodied populace is only possible when gatekeepers control who's allowed to do anything for anyone else. This is the inescapable perverse effect of liberal “regulation”; where hairdressers lobby to make it illegal to braid hair for money without spending thousands of dollars on a certification.

In an age of robust and widely-used consumer reports like Yelp and decentralized means of certification, the statist cry “How would you regulate that?!” has long grown defunct. What most imperils standards of service and working conditions are oligarchies. Barriers to entry and fake scarcities created at the point of a policeman's gun are no friend of the working class, and leftists that defend them are incoherent and reactionary.