

Chapter Four

Systemic Effects of State-Induced Economic Centralization and Large Organizational Size

In the first part of this book, we examined the ways in which the state intervenes to promote economic centralization and organizational size beyond the levels that would prevail in a free market. In the second part, we will examine the effects, on a systemic level, of such predominantly large organizational size.

At an individual level, the state's promotion of hierarchy and centralizing technology increases the dependency of the average person on credentialed elites for meeting his basic needs, and transforms him into a client of "professional" bureaucracies. It erects barriers in the way of comfortable subsistence. In effect, the system exacts tolls on all attempts to transform personal labor and skill into use value.

Organizationally, there are two effects. The first is a fairly straightforward crowding out: the political and economic system is dominated by large organizations. Large organizations tend to proliferate at the expense of small ones, and the predominant organizational size is far larger than considerations of efficiency would justify in a free market.

The second is arguably even more insidious. Quantity, as the Marxists say, is transformed into quality. The internal culture of the large corporation and the large government agency is not limited to the actual large organization. It does not merely crowd out the small, decentralized, bottom-up alternative. It coopts and contaminates it. It becomes a hegemonic norm, so that the culture of bureaucracy and hierarchy pervades all organizations within society; the cultural style of the large organization becomes the standard to be imitated by all other organizations--including small firms, nonprofits, and cooperatives.

The total effect was summed up quite well by Robert Jackall and Henry M. Levin, in an article on producer cooperatives;

One can hardly exaggerate the impact that these processes of centralization and bureaucratization have had on our entire social landscape. These processes have transformed our demographic patterns, refashioned our class structure, altered our communities, and shaped the very tone and tempo of our society. Unlike a century ago, we are today an urban people, largely propertyless (in the productive sense), and dependent on big organizations--in short, a society of employees coordinated by bureaucratic elites and experts of every sort. At the ideological level, of course, all of these developments--and the entire social fabric woven on this warp--come to assume a taken-for-granted status, an aura of inevitability; it becomes difficult for most people to conceive of other ways of arranging the world....¹

¹ Robert Jackall and Henry M. Levin. "The Prospects for Worker Cooperatives in the United States" in

In analyzing these phenomena, we rely heavily on the concept of counter-productivity (also called "net social disutility," the "second threshold," or "second watershed"), central to the thought of Ivan Illich. These terms all refer to the adoption of a technology past the point of negative net returns:

Each major sector of the economy produces its own unique and paradoxical contradictions. Each necessarily effects the opposite of that for which it was structured.²

When an enterprise grows beyond a certain point..., it frustrates the end for which it was originally designed, and then rapidly becomes a threat to society itself.³

Beyond a certain point medicine generates iatrogenic disease, transportation spending generates congestion and stagnation, and "education turns into the major generator of a disabling division of labor" in which basic subsistence becomes impossible without paying tolls to the gatekeepers of the credentialing system.⁴

The first threshold of a technology 1) results in net social benefit; and 2) is, on the whole, empowering to those who use it. Beyond a certain point of diminishing returns, which Illich calls the second threshold, increasing reliance on technology results in 1) net social costs, and 2) increased dependency and disempowerment to those relying on it. A fundamental shift occurs, from the technology or tool being in service to the individual, to the individual becoming an accessory to a machine or professional bureaucracy.

There are two ranges in the growth of tools: the range within which machines are used to extend human capability and the range in which they are used to contract, eliminate, or replace human functions. In the first, man as an individual can exercise authority on his own behalf and therefore assume responsibility. In the second, the machine takes over--first reducing the range of choice and motivation in both the operator and the client, and second imposing its own logic and demand on both.⁵

...[T]he progress demonstrated in a previous achievement is used as a rationale for the exploitation of society as a whole in the service of a value which is determined and constantly revised by an element of society, by one of its self-certifying professional elites.⁶

Illich's most thorough examination of the two thresholds was in *Tools for Conviviality*. In the specific case of medicine, the first threshold involved improvements

Robert Jackall and Henry M. Levin, eds., *Worker Cooperatives in America* (Berkeley, Los Angeles, London: University of California Press, 1984), pp. 277-278.

² Ivan Illich, "The Three Dimensions of Public Option," in *The Mirror of the Past: Lectures and Addresses, 1978-1990* (New York and London: Marion Boyars, 1992), p. 84.

³ Illich, *Tools for Conviviality* (New York, Evanston, San Francisco, London: Harper & Row, 1973), pp. xxii-xxiii.

⁴ Illich, *Disabling Professions* (New York and London: Marion Boyars, 1977), p. 28.

⁵ Illich, *Tools for Conviviality*, pp. 84-85.

⁶ Illich, *Ibid.*, p. 7.

like clean water, sanitation, and rat control, and the introduction of basic aseptic techniques and antibiotics in medical practice, all of which together dramatically reduced mortality from infectious disease at comparatively low cost.⁷

At the time of the second watershed, preservation of the sick life of medically dependent people in an unhealthy environment became the principal business of the medical profession. Costly prevention and costly treatment became increasingly the privilege of those individuals who through previous consumption of medical services had established a claim to more of it. Access to specialists, prestige hospitals, and life-machines goes preferentially to those people who live in large cities, where the cost of basic disease prevention... is already exceptionally high.... Like the modern school system, hospital-based health care fits the principle that those who have will receive even more and those who have not will be taken for the little that they have.

The second watershed was approached when the marginal utility of further professionalization declined, at least insofar as it can be expressed in terms of the physical well-being of the largest numbers of people. The second watershed was superseded when the marginal *disutility* increased as further monopoly by the medical establishment became an indicator of more suffering for larger numbers of people.⁸

An infinitesimal fraction of the total patient population, the very richest of them, had access to transplants and the newest and most advanced high-tech procedures, while the costs of basic care were driven up for everyone else.

Although Illich failed to use it himself, the root concept of Pareto optimality is of inestimable value in properly understanding the cause of counter-productivity:

Given a set of alternative allocations and a set of individuals, a movement from one allocation to another that can make at least one individual better off, without making any other individual worse off, is called a **Pareto improvement** or **Pareto optimization**. An allocation of resources is **Pareto efficient** or **Pareto optimal** when no further Pareto improvements can be made.⁹

The distinction between Pareto optimal and non-optimal largely coincides with that Oppenheimer made between the economic and political means.¹⁰ The dividing line, in either case, is privilege. Pareto non-optimal outcomes occur only when one person is able to benefit at another's expense. I summarized the importance of Pareto optimality to Illich's concept of counter-productivity in the following passage of *Studies in Mutualist Political Economy*:

⁷ Illich, *Ibid.*, pp. 1-2.

⁸ *Ibid.*, pp. 3, 6-7.

⁹ "Pareto efficiency," Wikipedia, the free encyclopedia (captured June 19, 2007) http://en.wikipedia.org/wiki/Pareto_efficiency.

¹⁰ Franz Oppenheimer, *The State: Its History and Development Viewed Sociologically*. 2nd revised edition, with Introduction by Paul Gottfried (Edison, N.J.: Transaction Publishers, 1999).

Net social disutility can only occur when those who personally benefit from the introduction of new technologies beyond the second threshold, are able to force others to bear the disutilities. As we have already seen in our citations of [James] O'Connor's analysis [in *Fiscal Crisis of the State*], this is the case in regard to a great deal of technology. The profit is privatized, while the cost is socialized. Were those who benefited from greater reliance on the car, for example, forced to internalize all the costs, the car would not be introduced beyond the point where overall disutilities equaled overall utilities. As Kaveh Pourvand elegantly put it in a private communication,¹¹ the state's intervention promotes the adoption of certain technologies beyond Pareto optimality. Coercion, or use of the "political means," is the only way in which one person can impose disutility on another.¹²

A technology will not normally be adopted by an unconstrained individual, of his own free choice, beyond the point at which the disutilities exceed the utilities. When he adopts a machine or tool for his own ends, and fully internalizes both the costs and benefits, it will be by definition because he judges the individual utility to outweigh the individual disutility. And by definition, the second watershed is the point beyond which the marginal utility of further adoption is zero to an individual who fully internalizes all the costs and benefits of the decision. Without state-enforced privilege to shift the costs of a technology away from the primary beneficiary, the sum total of such free decisions by individuals will be net social utility.

Net social disutility only occurs when the political means enable one person to benefit at another's expense. Counter-productivity is the direct result of substituting the political means of coercion and privilege for the economic means of production and voluntary exchange. The second threshold is crossed only when its negative effects are externalized: a technology or form of organization will be adopted beyond the point where the negative effects outweigh the positive, only when those making the decision to adopt it are able to collect the benefits while shifting the costs to others.

Illich mistakenly attempted to treat counter-productivity in contrast to the traditional economic concept of externality:

These rising externalities, however, are only one side of the bill which development has exacted. *Counterproductivity is its reverse side*. Externalities represent costs that are "outside" the price paid by the consumer for what he wants--costs that he, others or future generations will at some point be charged.

Counterproductivity, however, is a new kind of disappointment which arises *within* the very use of the good purchased.... Each [major sector of the economy] necessarily effects the opposite for which it was structured.... This internal counter-productivity, an inevitable component of modern institutions, has become the constant frustration of the poorer majority

¹¹ Private email, October 29, 2003.

¹² Self-published (Fayetteville, Ark., 2004), p. 321; Booksurge edition (2007) available at Amazon: <http://www.amazon.com/Studies-Mutualist-Political-Economy-Carson/dp/1419658697/ref=sr_1_1/103-8771270-1609454?ie=UTF8&s=books&qid=1183573650&sr=1-1>.

of each institution's clients...¹³ [check wording of original]

Counter-productivity, in fact, is *very much* an externality. The presence of disutility in consumption is nothing new: all actions, all consumption, normally involve both utilities and disutilities intrinsic to the act of consumption. When the consumer internalizes all the costs and benefits, he makes a rational decision to stop consuming at the point where the disutilities of the marginal unit of consumption exceed its utilities. In the case of counter-productivity, the net social disutility occurs precisely because the *real* consumer's benefit is not leavened with any of the cost.

Illich's mistake lies in his confusion over who the actual consumer is. Counterproductivity is not a "negative internality," but the negative externality of *others'* subsidized consumption. The "disappointment" is not internal to the act of consumption, because the real "consumer" is the party who profits from the adoption of a technology beyond the second threshold--as opposed to the ostensible consumer, who may have no choice but to make physical use of the technology in his daily life. The real consumer is the party for whose sake the system exists; the ostensible consumer who is forced to adjust to the technology is simply a means to an end. In the case of all of the "modern institutions" Illich discusses, the actual consumer is the institutions themselves, not their captive clientele. In the case of the car culture, for example, the primary consumer is the real estate industry and the big box stores--not the poor schmuck who lives in a monoculture suburb and can't buy a loaf of bread without hopping in his car to negotiate the freeway-mediated system of entrance and exit checkpoints. The inconvenience suffered by the suburban homeowner, whose feet, bicycle, etc., are rendered useless as a source of access to shopping and work, is an externality resulting from the real estate industry's subsidized consumption of cheap roads, fuel, and utilities, from zoning prohibitions of mixed-use development, and from preferential treatment of suburban developments by home mortgage subsidies. Rather than saying that "society" suffers a net cost or is enslaved to a new technology, it is more accurate to say that the non-privileged portion of society becomes enslaved to the privileged portion and pays increased costs for their benefit. Or as Lewis Mumford put it, the "megamachine" is "a minority-manipulated majority-manipulating device..."¹⁴

"John Gall," in his satirical book on organization theory, half-facetiously suggested the same thing in his discussion of the inversion of inputs:

A giant program to conquer cancer is begun. At the end of five years, cancer has not been conquered, but one thousand research papers have been published. In addition, one million copies of a pamphlet entitled "You and the War Against Cancer" have been distributed. These publications will absolutely be regarded as Output rather than Input.¹⁵

¹³ Illich, *Mirror of the Past*, p. 84.

¹⁴ Mumford, *The Myth of the Machine: The Pentagon of Power* (New York: Harcourt Brace Jovanovich, Inc., 1964, 1974), p. 214.

¹⁵ John Gall, *Systemantics: How Systems Work and Especially How They Fail* (New York: Pocket Books,

Likewise, his distinction between "The Stated *Purpose* of the System (The 'Goal' of the Designer or Manager)," and "The Built-in *Function* (What the System really does)": "Prior to and underlying any other Goal, the System has a blind, instinctive urge to *maintain itself*." This tendency

often causes managers, political leaders, and other Systems-persons to produce statements of the general form:

"What's good for General Motors is good for the Country."¹⁶

In fact, as Gall argued, the purpose of the system has nothing to do with serving the needs of its alleged clients. The actual things that individual human beings want cannot be delivered by large, centralized systems.

...most of the things we human beings desire are nonsystems things. We want a fresh apple picked dead ripe off the tree. But this is precisely what a large system can never supply. No one is going to set up a large system in order to supply one person with a fresh apple picked right off the tree. The system has other goals and other people in mind.

Apparent exceptions, in which the system appears to be actually supplying what people want, turn out on closer examination to be cases in which the system has adjusted people's desires to what the system is prepared to supply:

Example.... Doesn't the universal availability of cheap, fresh, enriched white bread represent a great systems achievement in terms of nourishing the American population?

Answer. The short answer is that it is not bread. The French peasant eats fresher bread than we do, and it tastes better. The Egyptian fellah, one of the poorest farmers in the world, eats bread that is still hot from the oven at a price he can easily afford. Most of the cost of our bread is middleman costs--costs which would not be incurred if it were produced by local bakers rather than by a giant system.¹⁷

Gall essentially restated the principle of Push distribution, which we discussed in Chapter One: getting people to buy goods that were produced primarily with the needs of the organization in mind.

In short, the people running the system are the consumers, and it's working just fine for them. The objection that it doesn't work so well for us is, from the standpoint of the people the system serves, as irrelevant as pointing out that slavery wasn't such a hot deal for the people picking the cotton.

1975), p. 74.

¹⁶ Ibid., pp. 88-89.

¹⁷ Ibid. pp. 62-64.

By failing to grasp the central role of the state and its privileges in promoting counter-productivity, Illich produced an analysis that we must stand on its head. Rather than simply eliminating the basic engine of counterproductivity--the state's intervention, which externalizes the costs of counterproductive technology on parties other than the direct beneficiaries--he proposed top-down prohibitions to restrain the adoption of the technology.

I will argue that we can no longer live and work effectively without public controls over tools and institutions that curtail and negate any person's right to the creative use of his or her energy. For this purpose we need procedures to ensure that controls over the tools of society are established and governed by political process rather than decisions by experts.

As if that were not sweeping enough, he called for "politically defined limits on all types of industrial growth...."¹⁸

At times, Illich seemed on the edge of conceptual clarity in this regard. For example, he noted that "queues will sooner or later stop the operation of any system that produces needs faster than the corresponding commodity...."¹⁹ And elsewhere: "[I]nstitutions create needs faster than they can create satisfaction, and in the process of trying to meet the needs they generate, they consume the Earth."²⁰ But he failed to take the next step: discerning the *reason* that needs are generated faster than they can be met. And it's a glaring omission, because his language could be a textbook description of the effects of subsidy: when the state provides a good at subsidized prices, demand at the artificially low price will grow faster than the state can meet it. A classic example is subsidized transportation which, as Illich observed, "created more distances than they helped to bridge; more time was used by the entire society for the sake of traffic than was 'saved.'"²¹

A. Radical Monopoly and Its Effects on the Individual

The counterproductive adoption of technology, or adoption beyond its second watershed, results in what Illich calls a "radical monopoly."

I speak about radical monopoly when one industrial production process exercises an exclusive control over the satisfaction of a pressing need, and excludes nonindustrial activities from competition....

Radical monopoly exists where a major tool rules out natural competence. Radical monopoly imposes compulsory consumption and thereby restricts personal autonomy. It

¹⁸ Illich, *Tools for Conviviality*, pp. 12, 17.

¹⁹ Illich, *Disabling Professions*, p. 30.

²⁰ Illich, *Deschooling Society* (1970), Chapter Seven (online edition at Reactor Core courtesy of Paul Knatz) <http://reactor-core.org/deschooling.html> (captured July 4, 2007).

²¹ Illich, *Tools for Conviviality*, pp. 7-8.

constitutes a special kind of social control because it is enforced by means of the imposed consumption of a standard product that only large institutions can provide.²²

...Any industrial product that comes in per capita quanta beyond a given intensity exercises a radical monopoly over the satisfaction of a need....

Radical monopoly is first established by a rearrangement of society for the benefit of those who have access to the larger quanta; then it is enforced by compelling all to consume the minimum quantum in which the output is currently produced....²³

This quote from Marilyn Frye, in "Oppression," is a good statement of how radical monopoly feels from the inside:

The experience of oppressed people is that the living of one's life is confined and shaped by forces and barriers which are not accidental or occasional and hence avoidable, but are systematically related to each other in such a way as to catch one between and among them and restrict or penalize motion in any direction. It is the experience of being caged in: all avenues, in every direction, are blocked or booby trapped.²⁴

In addition to privileging the large institutions that provide them, the goods supplied by a radical monopoly can only be obtained at comparably high expense, requiring the sale of wage labor to pay for them, rather than direct use of one's own labor to supply one's own needs.)

The effect of radical monopoly is that the subsidized capital-, credential- and tech-intensive ways of doing things crowd out the cheaper and more user-friendly, the more libertarian and decentralist technologies. The individual, as a result, becomes increasingly dependent on credentialed professionals, and on unnecessarily complex and expensive high-tech gadgets, for all the needs of daily life. Closely related is Leopold Kohr's concept of "density commodities," consumption dictated by "the technological difficulties caused by the scale and density of modern life."²⁵

Subsidized fuel, freeways, and automobiles mean that "[a] city built around wheels becomes inappropriate for feet."²⁶ A subsidized and state-established educational bureaucracy leads to "the universal schoolhouse, hospital ward, or prison."²⁷

²² Illich, *Tools for Conviviality*, pp. 52-53.

²³ Illich, *Energy and Equity* (1973), Chapter Six (online edition courtesy of Ira Woodhead and Frank Keller) http://www.cogsci.ed.ac.uk/~ira/illich/texts/energy_and_equity/energy_and_equity.html.

²⁴ Quoted in Charles Johnson, "Scratching By: How Government Creates Poverty as We Know It," *The Freeman: Ideas on Liberty* 57:10 (December 2007) <<http://www.fee.org/publications/the-freeman/article.asp?aid=8204>>.

²⁵ Kohr, *The Overdeveloped Nations: The Diseconomies of Scale* (New York: Schocken Books, 1978, 1979), p. 39.

²⁶ Illich, *Disabling Professions*, p. 28.

²⁷ Illich, *Tools for Conviviality*, p. xxiv.

In car culture-dominated cities like Los Angeles and Houston, to say that the environment has become "inappropriate for feet" is a considerable understatement.

In cities such as Los Angeles, where the physical landscape and prevailing social habits assume everyone drives a car, the simple act of walking can be cause for alarm. The U.S. Supreme Court decided one case involving a young man who has enjoyed taking long walks late at night through the streets of San Diego and was repeatedly arrested by police as a suspicious character. The Court decided in favor of the pedestrian, noting that he had not been engaged in burglary or any other illegal act. Merely traveling by foot is not yet a crime.²⁸

In Beverly Hills, Jane Jacobs reports, police actually stop pedestrians and demand proof of their reason for being there, followed by a warning about the inadvisability of traveling on foot.²⁹

In the healthcare industry, subsidies to the most costly and high-tech forms of medicine crowd out cheaper and decentralized alternatives. R&D subsidies, drug patents, and the licensing cartels make some forms of treatment artificially lucrative, and the standards of practice then gravitate toward where the money is. Non-subsidized forms of treatment, that do not generate artificially high rents to the provider, consequently become less and less available.

There are powerful institutional pressures for ever more radical monopoly. At the commanding heights of both the centralized state and the centralized corporate economy--actually so interlocked as to be barely distinguishable--the analysis of problems and prescription of solutions are done from the perspective of those who benefit from radical monopoly and from the counterproductive adoption of technology. So we see elites calling for "more of the same" as a cure for the existing problems of technology.

It has become fashionable to say that where science and technology have created problems, it is only more scientific understanding and better technology that can carry us past them. The cure for bad management is more management. The cure for specialized research is more costly interdisciplinary research, just as the cure for polluted rivers is more costly nonpolluting detergents.

Illich described it, colorfully, as an "attempt to solve a crisis by escalation."³⁰ It's what Einstein referred to as trying to solve problems "at the same level of thinking we were at when we created them." Or as E. F. Schumacher says of intellectuals, technocrats "always tend to try and cure a disease by intensifying its causes."³¹ More recently, Butler

²⁸ Langdon Winner, *The Whale and the Reactor: A Search for Limits in an Age of High Technology* (Chicago and London: University of Chicago Press, 1986), p.9.

²⁹ Jane Jacobs, *The Death and Life of Great American Cities* (New York: Vintage Books, 1961, 1992), p. 46.

³⁰ Illich, *Tools for Conviviality*, p. 9.

³¹ *Small is Beautiful*, p. 38.

Shaffer put it this way:

In our carefully nourished innocence, we believe that institutions exist for the purposes they have taught us, namely, to provide us with goods and services, protection, security, and order. But in fact, institutions exist for no other purpose than their self-perpetuation, an objective requiring a continuing demand for their services.... If institutions are to sustain themselves and grow, they require an escalation of the problems that will cause us to turn to them for solutions.³²

A classic local example is the standard approach, among the unholy alliance of traffic engineers, planners, and real estate developers, to "relieving congestion." Here in Northwest Arkansas, the new US 471 (locally called "the bypass") was built to the west of existing city limits to "relieve congestion" on the older highway passing through the major towns. But, as anyone might predict based on the lessons of Micro-Econ 101, when the marginal cost of a unit of consumption bears no relation to the marginal benefit, you continue to consume long past the point of diminishing net social returns. So the bypass, instead of drawing congestion out of the city, quickly filled up with the *new* congestion generated by the subdivisions and strip malls that sprang up like mushrooms around every exit. And now the traffic engineers, the chambers of commerce, and the current highway money pimp representing the Third Congressional District, are all prescribing *yet another* new bypass a few miles further to the west, outside the new, expanded city limits, to "relieve congestion" on the *old* bypass.

Likewise, voters in the city of Fayetteville levied a one cent sales tax on themselves to pay for a major expansion of the sewage processing facilities, in order to deal with the "increasing burden" of recent years. Of course, the "increasing burden" resulted mainly from the new subdivisions built by local Trump-wannabe, real estate kingpin Jim Lindsey. The "progressive," "smart growth" mayor (actually just a greenwashed member of the growth machine), Dan Coody, announced that the "only alternatives" were either to increase the sales tax, or to increase sewer rates by 30%. Of course, one "alternative" completely left off the table was increasing sewer hookup fees for Lindsey's new subdivisions enough to cover the costs they imposed on the system (wonder why?). But Coody pushed it through by appealing to voters' greed: the 30% rate increase would apply only to city dwellers, while the sales tax would shake down out of town visitors who spent money in Fayetteville. So Lindsey gets subsidized sewer service to his new subdivisions, at the expense of ordinary working people paying increased sales tax on their own groceries--but the voters think they pulled a fast one on those rubes from out of town. As the saying goes, it's a lot easier to con a greedy man. But do you really think the burden on Fayetteville's sewer system will *decrease* now?

It's not necessary to be overly cynical about the motivations of policymakers. They have no doubt absorbed the same conventional wisdom as the public, which is rooted in

³² Butler Shaffer, *Calculated Chaos: Institutional Threats to Peace and Human Survival* (San Francisco: Alchemy Books, 1985), pp. 46-47.

their institutional mindset. As Paul Goodman wrote,

I have been trying to show that some of these historical conditions are not inevitable at all but are the working-out of willful policies that aggrandize certain styles and prohibit others. But of course *historically*, if almost everybody believes the conditions are inevitable, including the policy-makers who produce them, then they are inevitable. For to cope with emergencies does not mean, then, to support alternative conditions, but further to support and institutionalize the same conditions. Thus, if there are too many cars, we build new highways; if administration is too cumbersome, we build in new levels of administration....³³

Radical monopoly also tends to perpetuate itself because large organizations select for new technologies adapted to their own needs and amenable to control by large organizations. "The left hand of society seems to wither, not because technology is less capable of increasing the range of human action, and providing time for the play of individual imagination and personal creativity, but because such use of technology does not increase the power of an elite which administers it."³⁴ As Kirkpatrick Sale put it:

Political and economic systems select out of the range of current technology those artifacts that will best satisfy their particular needs, with very little regard to whether those artifacts are the most efficient or sophisticated in terms of pure technology. Technology is not neutral: that is a myth. The particular technological variation that becomes developed is always the one that goes to support the various keepers of power. Hence in an age of high authoritarianism and bureaucratic control in both governmental and corporate realms, the technology tends to reinforce those characteristics--ours is not an age of the assembly line and the nuclear plant by accident. Nonetheless, it must be recognized that there are always many other technological variations of roughly equal sophistication that are created but *not* developed, that lie ignored at the patent office or unfinished in the backyard because there are no special reasons for the dominant system to pick them up....

In other words, each politico-economic system selects out of the available range of artifacts those that fit in best with its own particular ends.³⁵

The main effect of radical monopoly on the individual level is an increased cost of subsistence, owing to the barriers that mandatory credentialing erects against transforming one's own labor directly into use-value (what Illich calls "convivial" production), and the increasing tolls levied by the licensing cartels and other gatekeeper groups.

People have a native capacity for healing, consoling, moving, learning, building their houses, and burying their dead. Each of these capacities meets a need. The means for the satisfaction of these needs are abundant so long as they depend on what people can do for themselves, with only marginal dependence on commodities....

³³ Paul Goodman. *Like a Conquered Province*, in *People or Personnel and Like a Conquered Province* (New York: Vintage Books, 1965, 1967, 1968), p. 337.

³⁴ Ivan Illich, *Deschooling Society*, Chapter Four.

³⁵ Kirkpatrick Sale, *Human Scale* (New York: Coward, McCann & Geoghegan, 1980), pp. 161-62.

These basic satisfactions become scarce when the social environment is transformed in such a manner that basic needs can no longer be met by abundant competence. The establishment of a radical monopoly happens when people give up their native ability to do what they can do for themselves and each other, in exchange for something "better" that can be done for them only by a major tool. Radical monopoly reflects the industrial institutionalization of values.... It introduces new classes of scarcity and a new device to classify people according to the level of their consumption. This redefinition raises the unit cost of valuable services, differentially rations privileges, restricts access to resources, and makes people dependent. Above all, by depriving people of the ability to satisfy personal needs in a personal manner, radical monopoly creates radical scarcity of personal--as opposed to institutional--service.³⁶

The overall process is characterized by

the replacement of general competence and satisfying subsistence activities by the use and consumption of commodities; the monopoly of wage-labor over all kinds of work; redefinition of needs in terms of goods and services mass-produced according to expert design; finally, the arrangement of the environment in such fashion that space, time, materials and design favor production and consumption while they degrade or paralyze use-value oriented activities that satisfy needs directly.³⁷

Some major causes of these phenomena include state-mandated "professional" credentialing to provide particular services, legally mandated product design standards (ostensibly for "safety") which serve mainly to outlaw more user-friendly alternative technologies, and subsidized education which unnecessarily inflates the minimal levels of education required for a particular job.

A good example is in the building trades, where the regulatory entry barrier enjoyed by licensed contractors "reduces and cancels opportunities for the otherwise much more efficient self-builder." Construction codes prevent most self-building, and drive the cost of professionally built housing to excessive levels.³⁸ So-called "safety" regulations have the actual effect of prohibiting simpler and more user-friendly technologies that might be safely managed by an intelligent layman, and mandating far more complex technologies that can only be safely handled by members of the licensing cartel. The powers that be actually select against simple technologies that can be safely controlled, and in favor of complex technologies that can only be safely wielded by a priesthood. For example in Massachusetts, as late as 1945 around a third of all single-family houses were self-built. This number fell to 11% by 1970. But as Illich pointed out, by 1970 the feasible self-building technologies could have been far safer and more user-friendly than in 1940, had not the building trades actively suppressed them:

³⁶ Illich, *Tools for Conviviality*, p. 54.

³⁷ Illich, *Vernacular Values* (1980), "Part One: The Three Dimensions of Social Choice," online edition courtesy of The Preservation Institute: <http://www.preservenet.com/theory/Illich/Vernacular.html>.

³⁸ Illich, *Tools for Conviviality*, p. 39.

The technical capacity to produce tools and materials that favor self-building had increased in the intervening decades, but social arrangements--like unions, codes, mortgage rules, and markets--had turned against this choice....³⁹

He elaborates in greater detail on both the potentially feasible convivial building technologies, and the measures taken to suppress them, in the Latin American countries:

All the major cities... are surrounded by vast tracts of self-built *favelas*, *barriadas*, or *poblaciones*. Components for new houses and utilities could be made very cheaply and designed for self-assembly. People could build more durable, more comfortable, and more sanitary dwellings, as well as learn about new materials and options. But instead of supporting the ability of people to shape their own environment, the government deposits in these shantytowns public utilities designed for people who live in standard modern houses. The presence of a new school, a paved road, and a glass-and-steel police station defines the professionally built house as the functional unit, and stamps the self-built house a shanty. The law establishes this definition by refusing a building permit to people who cannot submit a plan signed by an architect. People are deprived of the ability to invest their own time with the power to produce use-value, and are compelled to work for wages and to exchange their earnings for industrially defined rented space.⁴⁰

Colin Ward, in *Talking Houses*, treats the Laindon and Pitsea communities in Essex as an English equivalent of the Third World shantytowns and favelas Illich mentioned. In terms quite similar to Illich's, he recommends official recognition of such squatter communities and easing of restrictions on them as a basis for state housing policy. Following a depression in agricultural land prices in the 1880s, some of the farmers in the area sold out to developers, who divided it up into cheap plots but did little in the way of development. In succeeding decades, many of those plots were sold (often for as little as 3 per 20-ft. frontage), and used not only for cheap bungalows but for every imaginable kind of self-built housing ("converted buses or railway coaches, with a range of army huts, beach huts and every kind of timber-framed shed, shack or shanty"), as working class people painstakingly hauled odds and ends of building material to the sites and gradually built up homes. During the WWII bombing of the East End of London, many working class families were bombed out or fled to plots in Pitsea and Laindon, increasing the area's population to 25,000 at the end of the war. Some three-quarters of the 8500 dwellings had no sewer, half had no electricity, and those outside of built-up areas had access only to water from standpipes on the roads rather than household connections. Two thousand of the 8500 dwellings were conventionally built brick and tile, and another thousand lighter dwellings which met Housing Act standards. The rest included five thousand "chalets and shacks," and 500 "derelict" dwellings which were probably

³⁹ Illich, *Ibid.*, p. 40.

⁴⁰ Illich, *Ibid.*, pp. 62-63. For a discussion of parallel developments in the UK, a good source is the article "Shanty Settlements in Britain" in *Radical Technology*. The self-built houses, not only far cheaper but often quite beautiful and elegantly designed, all predate the 1947 Planning Acts "which changed the nature of building permission and made it a much tighter financial game." (p. 107).

occupied. Following the 1946 New Towns Act, Pitsea and Laindon were incorporated into the Basildon New Town, centered on the village of that name. The Basildon development corporation wisely forebore to demolish the substandard housing.

The range of self-built housing Ward describes is fascinating. For example, one wooden cabin is "a first world war army hut which grew." The street on which it sits was paved by the neighborhood, with residents pooling their own money to buy sand and cement. In general, the sort of people who resorted to such self-built expedients "would never have qualified as building society mortgagees," owing to their low incomes.

What in fact those Pitsea-Laindon dwellers had was the ability to turn their labour into capital over time, just like the Latin American squatters. The poor in the third-world cities--with some obvious exceptions--have a freedom that the poor in the rich world have lost....

You might observe of course that some of the New Town and developing towns have--more than most local authorities have--provided sites and encouragement to self-build housing societies. But a self-build housing association has to provide a fully-finished product right from the start, otherwise no consent under the building regulations, no planning consent, no loan. No-one takes into account the growth and improvement and enlargement of the building over time, so that people can invest out of income and out of their own time, in the structure.

The New Town mechanism, as Ward describes it, served "to draw the sporadic settlement together into an urban entity and provide non-commuting jobs through the planned introduction of industry. Pitsea and Laindon could be called do-it-yourself New Towns, later legitimized by official action" (in other words, exactly what Illich recommended for the sheet metal, scrap lumber and shipping container slums of Rio and Mexico City).⁴¹

Another example Ward provides is Walter Southgate, a former street corner agitator and founding member of the Labour Party. Southgate first built himself a carpenter's bench, and then constructed an 8-by-16 ft. two-room hut, finally hiring a Model-T to move it in sections to the concrete foundation he and his wife had laid on their 2.5 acre site. They taught themselves brickwork in the process of building the chimney. They bought the land after the First World War, began construction during the General Strike of 1926, and completed the home in 1928. During the almost thirty years the Southgates lived in their home, they "produced every kind of fruit and vegetable, kept poultry, rabbits and geese, grew a variety of trees including a coppice of 650 saplings and in fact made their holding more productive than any farmer could."

Ward considered the Southgates typical of dozens of people he investigated who, "with no capital and no access to mortgage loans, had changed their lives for the better."

⁴¹ Colin Ward, "The Do It Yourself New Town," *Talking Houses: Ten Lectures by Colin Ward* (London: Freedom Press, 1990), pp. 25-31. [15-35]

For example Fred Nichols, who bought a 40-by-100 ft. plot of land for ten pounds in 1934, and--starting from a tent where his family was housed on weekends--"gradually accumulated tools, timber and glass which he brought to the site strapped to his back as he cycled down from London." He sank his own well in the garden. Elizabeth Granger and her husband, who bought two adjoining 20-by-150 ft. plots for ten pounds (borrowing a pound to pay the deposit); like Nichols, they stayed in a tent there on days off, gradually building a bungalow with second-hand bricks. They raised chickens, geese and goats.⁴²

The self-built housing on cheap land in Pitsea and Laindon were an example of a much broader phenomenon, the "plotlands," a catchall term for land that was divided into small plots and marketed, in the first four decades of the twentieth century, to people of modest income who wanted to become homeowners. Self-built housing was quite common, among the kinds of residences found on the plotlands.⁴³

Ward quotes Anthony King, in *The Bungalow*, on conditions in the first half of the twentieth century:

A combination of cheap land and transport, pre-fabricated materials, and the owner's labour and skills had given back to the ordinary people of the land, the opportunity denied to them for over two hundred years, an opportunity which, at the time, was still available to almost half of the world's non-industrialized populations: the freedom for a man to build his own house. It was a freedom that was to be very short-lived.⁴⁴

As Ward points out, this kind of non-standard construction, "that gives the underprivileged a place of their own," has been stamped out by urban planners of the very cultural type who profess the most concern about the needs of the poor.⁴⁵ "Contemporary planning legislation would automatically outlaw the building of the homes of Mr Southgate, Mr Nichols and Mrs Granger." Such legislation amounts to "a highly regressive form of indirect taxation."⁴⁶

The situation is doubly unfortunate, because urban areas are full of vacant lots which would be ideal for such self-build projects, but which are seen as uneconomical by conventional developers. Two architects, at a time when the London borough of Newham claimed to be running out of building sites, surveyed the borough for sites of less than a half-acre, excluding sites which were claimed for local authority housing proposals, or lay in exclusively industrial areas. They found sufficient land to house three to five thousand people in single-family dwellings. The council, however, told them that "all these small and scattered plots were useless.... Given the local authority's procedures,

⁴² Ibid, pp. 70-71.

⁴³ Ward, "The hidden social history of housing--2. The plotlanders: arcadians of the early twentieth century," in Ward, *Social Policy: An Anarchist Response* (London: Freedom Press, 1996), pp. 31-39.

⁴⁴ Ward, "The Do It Yourself New Town," pp. 90-91.

⁴⁵ Ibid., p. 30.

⁴⁶ Ibid., p. 72.

it would be uneconomic to develop them."⁴⁷ They would, however, be found quite "economic" by Southgate et al.

Amory Lovins describes one instance of a would-be radical monopoly by the suppliers of conventional energy:

In 1975... some U.S. officials were speculating that they might have to seek central regulation of domestic solar technologies, lest mass defection from utility grids damage utility cash flow and the state and municipal budgets dependent on utility tax revenues.⁴⁸

Harry Boyte reports that utilities in Columbia, Missouri managed to secure the imposition of a monthly penalty on new buildings that used solar power.⁴⁹

Like restrictions on self-built housing, subsidies to highways and to urban sprawl erect barriers to cheap subsistence. As subsidies to transportation generate greater distances between the bedroom community and places of work and shopping, the car becomes an expensive necessity. Under the old pattern of mixed-use development, when people lived within easy walking or bicycle distance of businesses and streetcar systems served compact population centers, the minimum requirements for locomotion could be met by the working poor at little or no expense. With the new, artificially-generated distance between home and work, home and shopping, feet and bicycle are rendered virtually useless, and the working poor are forced to earn the additional wages to own and maintain a car just to be *able* to work at all.

Many liberal do-gooders attack the car culture at the level of individual voluntarism and feel-good activity. While no doubt that might have an effect on the margin (i.e., carpooling can reduce the working poor's expenses), the effect will be limited by the structural incentives resulting from the radical monopoly of the car culture. Any such feelgood approach without regard to structural issues will require people to swim upstream against the incentives of the market, for purely psychic rewards.

In one sense, America's automania is "reasonable." For, given the spatial arrangements of America created by the predominant use of the car, the car is the most sensible instrument to use to get around them. Since the car has created suburbs and scattered-site housing and low-density cities, the car is just about the only way to travel in and between them.⁵⁰

State-subsidized (and state-mandated) education also has the effect of inflating the minimal level of education necessary for any particular job. As Leopold Kohr argued,

⁴⁷ Ibid., pp. 73-74.

⁴⁸ Amory B. Lovins, *Soft Energy Paths: Toward a Durable Peace* (New York, Cambridge, Hagerstown, Philadelphia, San Francisco, London, Mexico City, Sao Paulo, Sydney: Harper & Row, Publishers, 1977), p. 154.

⁴⁹ Harry Boyte, *The Backyard Revolution: Understanding the New Citizen Movement* (Philadelphia: Temple University Press, 1980), p. 143.

⁵⁰ Kirkpatrick Sale, *Human Scale*, p. 255.

And what does the worker gain by the higher education of which we are so proud? Almost nothing. With so many workers going to school, higher education, already intellectually sterile, seems even materially without added benefit, having become the competitive minimum requirement for almost any job....

As a result, what has actually risen under the impact of the enormously increased production of our time is not so much the standard of living as the level of subsistence.⁵¹

Or as Paul Goodman put it, "decent poverty is almost impossible."⁵² Illich, similarly, observed that in New York those with less than twelve years' schooling were "treated like cripples":

...they tend to be unemployable, and are controlled by social workers who decide for them how to live. The radical monopoly of overefficient tools exacts from society the increasing and costly conditioning of clients. Ford produces cars that can be repaired only by trained mechanics. Agriculture departments turn out high-yield crops that can be used only with the assistance of farm managers who have survived an expensive school race.... The real cost of these doubtful benefits is hidden by unloading much of them on the schools that produce social control.⁵³

(Of course, this last statement suggests that the tools are not really "overefficient" after all, but only *artificially* efficient: the cost side is shifted or concealed.)

The educational inflation described by Kohr and Illich was parodied by Kurt Vonnegut in *Player Piano*. In the technocratic society of that novel, even the surviving blue collar jobs (the tiny minority of taxi drivers and shopkeepers who had not been mechanized out of existence) required bachelor's degrees. One character, the caustic, elderly (and scandalously degreeless) caretaker of an eccentric's family farm, mocked the prevailing credentialism, commenting that he had a PhD in shit: "I did my postgraduate work in cowshit, pigshit and chickenshit."

The meritocratic ideology is shared by both managerialist liberals (who want everyone in state-funded education from pre-K through at least a first PhD), and by authoritarian neocons (who want to transform the educational system on the Japanese pattern, complete with school uniforms and eight hours of daily homework). Just about every day we see another op-ed piece by some goo-goo arguing that the solution to the two-tier labor market is more and more education, and more education still. It's a classic fallacy of competition. Joe Bageant made quick work of this meritocratic nonsense:

Look at it this way: The empire needs only about 20-25% of its population at the very

⁵¹ Leopold Kohr, *The Overdeveloped Nations*, pp. 27-28.

⁵² Paul Goodman, *Compulsory Miseducation*, in *Compulsory Miseducation and The Community of Scholars* (New York: Vintage books, 1964, 1966), p. 108.

⁵³ Illich, *Tools for Conviviality*, p. 63.

most to administrate and perpetuate itself -- through lawyers, insurance managers, financial managers, college teachers, media managers, scientists, bureaucrats, managers of all types and many other professions and semi-professions.

What happens to the rest? They are the production machinery of the empire and they are the consumers upon whom the empire depends to turn profits. If every one of them earned a college degree it would not change their status, but only drive down wages of the management class, who are essentially caterers to the corporate financial elites who govern most things simply by controlling the availability of money at all levels, top to bottom....

Clawing down basic things like an education in such a competitive, reptilian environment makes people hard. And that's what the empire wants, hardassed people in the degreed classes managing the dumbed down, over-fed proles whose mental activity consists of plugging their brains into their television sets so they can absorb the message to buy more, and absorb themselves in the bread and circus spectacles provided them through profitable media corporations operating mainly as extensions of the capitalist state's propaganda system, such as "buy this," or "you have it better than anyone in the world," (not at all true). The more generations subjected to this, the more entrenched ignorance, materialism and lack of intellectual drive becomes....

Only about 20-24% of Americans get a college degree. One quarter of Americans do not finish high school. Interestingly, they are beginning to come together, though they don't know it. Right now we are seeing the proletarianization of college graduates, as increasingly more of them are forced to take service and labor jobs. (Remember that it only takes a limited number to directly or indirectly manage the working masses, which these days includes workers like hospital technicians, and a thousand other occupations we have not traditionally thought of as working class.)

...America will go through its most profound changes ever within your own lifetime. When the ecological and economic collapse comes, and it is now unavoidable, you may well find yourself gutting chickens at a Tyson poultry plant. Be nice to the Mexican-American guy standing next to you. He got his college degree the same way you did.⁵⁴

Like all other forms of artificial scarcity, the artificial scarcity of skills is a source of rents and tolls on the productive labor of others.

What makes skills scarce on the present educational market is the institutional requirement that those who can demonstrate them may not do so unless they are given public trust, through a certificate....

A demand for scarce skills can be quickly filled even if there are only small numbers of people to demonstrate them; but such people must be easily available....

Converging self-interests now conspire to stop a man from sharing his skill. The man who has the skill profits from its scarcity and not from its reproduction.... The public is

⁵⁴ Joe Bageant, "The masses have become fat, lazy, and stupid," December 11, 2006
<http://www.joebageant.com/joe/2006/12/the_masses_have.html>.

indoctrinated to believe that skills are valuable and reliable only if they are the result of formal schooling. The job market depends on making skills scarce and on keeping them scarce, either by prosecuting their unauthorized use and transmission or by making things which can be operated and repaired only by those who have access to tools or information which are kept scarce.

Schools thus produce shortages of skilled persons.⁵⁵

Credentialling, like "intellectual property," is a toll on the free transfer of information. The gatekeepers, who own the "intellectual property" and control the credentialling, are able by their ownership of such "property" to collect rent from the labor of others (the chief identifying mark of a spurious and artificial property right). For that matter, "intellectual property" can itself be used to make technology less convivial, as when planned obsolescence is reinforced by the use of patents to restrict or eliminate the supply of spare parts, or drive up their price (thus increasing the expense of repair compared to replacement).

It's important to note that the services of institutions and "professionals" don't just crowd out the convivial alternative because people like them better and prefer to work to earn the money to pay for them. If any evidence of this were needed, we can find it in the fact that evading the limited alternatives and mediocre quality provided by radical monopolist institutions is a privilege of the most well-off.

Defense against the damages inflicted by development, rather than access to some new "satisfaction," has become the most sought-after privilege.... The underclass are now made up of those who *must* consume the counterproductive packages and ministrations of their self-appointed tutors; the privileged are those who are free to refuse them.⁵⁶

(If you don't believe it, just note the predominant social class of those shopping in a natural foods store, or the inflated cost of housing within convenient walking distance of a gentrified downtown shopping district.)

The state in some cases taxes scarce resources to fund radical monopoly, and in others legally restricts the alternatives; the very act of subsidizing the favored version artificially increases its competitive advantage against alternatives operating on their own dime, so that they are either marginalized or completely driven out of the market. As Illich said of education,

the mere existence of school discourages and disables the poor from taking control of their own learning. All over the world the school has an anti-education effect on society; school is recognized as the institution which specializes in education....

...School appropriates the money, men, and good will available for education and in

⁵⁵ Illich, *Deschooling Society*, Chapter Six.

⁵⁶ Illich, *Vernacular Values*, Part One.

addition discourages other institutions from assuming educational tasks. Work, leisure, politics, city living, and even family life depend on schools for the habits and knowledge they presuppose, instead of becoming themselves the means of education.⁵⁷

These changes are reinforced by a shift in cultural attitudes, by which the individual comes to see services as naturally the product of institutions:

Many students, especially those who are poor, intuitively know what the schools do for them. They school them to confuse process and substance. Once these become blurred, a new logic is assumed: the more treatment there is, the better are the results.... The pupil is thereby "schooled" to confuse teaching with learning, grade advancement with education, a diploma with competence, and fluency with the ability to say something new. His imagination is "schooled" to accept service in place of value.... Health, learning, dignity, independence, and creative endeavor are defined as little more than the performance of the institutions which claim to serve these ends, and their improvement is made to depend on allocating more resources to the management of hospitals, schools, and other agencies in question....

[Schools teach the student to] view doctoring oneself as irresponsible, learning on one's own as unreliable and community organization, when not paid for by those in authority, as a form of aggression or subversion.... [R]eliance on institutional treatment renders independent accomplishment suspect....

Once basic needs have been translated by a society into demands for scientifically produced commodities, poverty is defined by standards which the technocrats can change at will.⁵⁸

The hidden curriculum teaches all children that economically valuable knowledge is the result of professional teaching and that social entitlements depend on the rank achieved in a bureaucratic process.⁵⁹

B. Systemic Effects on Institutional Culture

As radical as these changes are at the individual level, even more significant from the standpoint of our study is the application of Illich's concept of radical monopoly in the institutional realm. In an economy where the size of the dominant institutions is determined by state intervention, even non-capitalist entities will be infected by the pathological institutional culture. The effects of radical monopoly on the institutional level were described in much more detail, albeit in different terminology, by Paul Goodman.

⁵⁷ Illich, *Deschooling Society*, Chapter One.

⁵⁸ Illich, *Ibid.*, Chapter One.

⁵⁹ Illich, "After Deschooling, What?", in Alan Gartner, Colin Greer, Frank Riessman, eds., *After Deschooling, What?* (N.Y., Evanston, San Francisco, London: Harper & Row, 1973), p. 9.

The large corporation and centralized government agency do not exist just as discrete individual organizations. Beyond a certain level of proliferation, such large organizations crystalize into an interlocking and mutually supporting system. Even the small and medium-sized firm, the cooperative, the non-profit, must function within an overall structure defined by large organizations. As Paul Goodman put it,

A system destroys its competitors by pre-empting the means and channels, and then proves that it is the only conceivable mode of operating.⁶⁰

...the genius of our centralized bureaucracies has been, as they interlock, to form a mutually accrediting establishment of decision-makers, with common interests and a common style that nullify the diversity of pluralism.⁶¹

On a more impressionistic level, Paul and Percival Goodman identified this common style with "the simply unbearable quality of facade or "front" in American political thought: nobody speaks for himself, it is always an Organization (limited liability) that speaks."⁶²

The interlocking network of giant organizations includes not only the oligopoly corporation and government agency, but as Goodman pointed out, the large institutional non-profit: large universities, think tanks, and charities like the Red Cross and United Way. The so-called "non-profit" sector underwent a managerial transformation at the same time as the corporation, remade in the image of the professional New Class around the turn of the twentieth century. The professionalized charitable foundation largely replaced not only the individual philanthropy of the rich, but more importantly the vibrant network of self-organized associations for mutual aid among the working class. In the years before World War I, as Guy Alchon recounted, the major foundations funded projects to enable social workers to survey the cities comprehensively and obtain statistics about working conditions, unemployment, and social ills. They funded educational, research, and public health institutions aimed at attacking the root causes of social problems.

This reorientation encouraged and was in part the product of a general movement toward the professional administration of philanthropy....

This widely hailed movement toward professional administration was a reflection in the philanthropic sphere of the tendency of large organizations to come under the direction of professional managers.⁶³

At any rate Goodman's typology of organizations clearly "cuts across the usual

⁶⁰ Paul Goodman, *People or Personnel*, p. 70.

⁶¹ Goodman, *Like a Conquered Province*, p. 357.

⁶² Paul and Percival Goodman, *Communitas*, pp. 147-48.

⁶³ Guy Alchon, *The Invisible Hand of Planning: Capitalism, Social Science, and the State in the 1920s* (Princeton, N.J.: Princeton University Press, 1985), p. 11.

division of profit and non-profit," as shown by the prevalence in the latter of "status salaries and expense accounts..., [and] excessive administration and overhead...."⁶⁴ Indeed, Goodman defines the typical culture of the large organization largely in terms of those qualities, which stem largely from the nature of hierarchy, with work being divorced from responsibility, power or intrinsic motivation (as suggested by the contrasting spontaneous and frugal style of bottom-up organizations):

To sum up: what swell the costs in enterprises carried on in the interlocking centralized systems of society, whether commercial, official, or non-profit institutional, are all the factors of organization, procedure, and motivation that are not directly determined to the function and the desire to perform it. There patents and rents, fixed prices, union scales, featherbedding, fringe benefits, status salaries, expense accounts, proliferating administration, paper work, permanent overhead, public relations and promotions, waste of time and skill by departmentalizing task-roles, bureaucratic thinking that is penny-wise pound-foolish, inflexible procedure and tight scheduling that exaggerate contingencies and overtime.

But when enterprises can be carried on autonomously by professionals, artists, and workmen intrinsically committed to the job, there are economies all along the line. People make do on means. They spend on value, not convention. They flexibly improvise procedures as opportunity presents and they step in in emergencies. They do not watch the clock. The available skills of each person are put to use. They eschew status and in a pinch accept subsistence wages. Administration and overhead are *ad hoc*. The task is likely to be seen in its essence rather than abstractly.⁶⁵

A good illustration of this latter principle occurred locally a few years ago. Voters in the neighboring town of Siloam Springs, Arkansas refused to increase the property tax millage to fund the allegedly urgent needs of the school system. Shortly afterward, the school administration announced that, instead of purchasing new computers as originally planned, they would simply upgrade existing computers, which would result in almost the same improvement in performance at a fraction of the cost. So it occurred to the school system to add \$100 dollars worth of RAM per computer, as opposed to buying a new PC for close to \$1000, only when the lack of "free" money forced them to think in such terms. As Milton Friedman said, people tend to be much more careful spending their own money than other people's money, and more careful spending money on themselves than on other people.

At any rate, far from the system of "countervailing power" hypothesized by Galbraith, the large for-profit corporation, large government agency, and large non-profit in fact cluster together into coalitions: "the industrial-military complex, the alliance of promoters, contractors, and government in Urban Renewal; the alliance of universities, corporations, and government in research and development. This is the great domain of

⁶⁴ Goodman, *People or Personnel*, pp. 114-15.

⁶⁵ Goodman, *Ibid.*, p. 113.

cost-plus."⁶⁶

The inflexibility of bureaucratic rules is not just the result of especially bad mismanagement within the large organization. It is the inevitable result of large size as such. The inflexibility itself, far from being an example of irrationality, is the only rational way of dealing with the agency and information problems inherent in a large organization.

...the centralized and bureaucratic style has important moral advantages. We have seen that pedantic due process and red tape often make for fairness. Workmen who are not engaged in their own intrinsic enterprises... must protect themselves by union scales and even featherbedding.⁶⁷

In other words, the "advantages" of "the central and bureaucratic style" are actually *cures* for the *disease* created by the large organization in the first place.

The great overhead cost of the large hierarchical organization, compared to the small self-managed organization, also tends to reinforce the earlier-mentioned tendency toward radical monopoly on an individual level: the increased cost of basic subsistence and the barriers to decent poverty. The transfer of activities from the informal economy and from small, self-managed organizations to the control of large bureaucracies is associated with, probably, an order of magnitude increase in overhead costs.

We seem to put an inordinate expense into maintaining the structure. Everywhere one turns... there seems to be a markup of 300 and 400 per cent, to do anything or make anything....

Consider it simply this way: One visits a country where the per capita income is one quarter of the American, but, lo and behold, these unaffluent people do *not* seem four times "worse off" than we, or hardly worse off at all.⁶⁸

It's important, again, to keep in mind that the importance of large organizations--corporations, government agencies, universities, think tanks, and charitable foundations--goes far beyond the total quantitative portion of economic activity they control. Together they constitute a system greater than the sum of its parts. They interlock organizationally, with some organizations providing inputs, support, or coordination to others. They also tend to share a common rotating pool of personnel, as observed by the power elite sociologists C. Wright Mills and G. William Domhoff, in effect becoming an interlocking directorate of large profit and nonprofit, corporate and government organizations.

William Dugger has observed that non-corporate institutions are increasingly "hollowed out," as they either become adjuncts of the corporate economy or take on a

⁶⁶ Goodman, *Ibid.*, p. 115.

⁶⁷ Goodman, *Ibid.*, p. 124.

⁶⁸ Goodman, *Ibid.*, p. 120.

corporate internal culture.

At the institutional level, the core value of corporate life--corporate success--corrodes away the values of noncorporate institutions. The main change here is an accelerated weakening of family and community and a growing distortion of church, state, and school. These noncorporate institutions used to provide a rough balance of different values and meanings. But with their corrosion, a social vacuum has opened up. The social space they once occupied is being filled by the corporation.... [The corporation] is becoming a total institution.⁶⁹

Under the systemic pressures of the larger corporate environment, even institutions founded on avowedly anti-capitalist or decentralist principles take on the character of the capitalist corporation. Perhaps the best illustration of this is the general phenomenon of "demutualization," as consumer cooperatives on the Rochedale model (and producer cooperatives as well) are either outright sold to absentee investors, gradually introduce such absentee ownership on a creeping basis, or simply adopt the same conventional forms of hierarchy and "professionalism" as the large corporation. As an example of the last, the natural foods cooperative to which I belong has for the past several years had a mission statement hanging on the wall: surely a sign that our society is on the path to hell.

Given the starting foundations of expropriation of much of the general population's small-scale wealth in early modern times, and the ongoing money monopoly which makes mobilization of capital artificially difficult even from the property the working classes do possess, we wind up with a financial system geared to the needs of large-scale absentee investors. From the standpoint of this system, the consumer- or worker-owned firm is an alien body. The pressures of such a financial system are one of the central forces for demutualization.

For cooperative enterprises with low enough levels of capital-intensiveness to be funded solely from the savings of the membership, this isn't a problem. The problem starts at the point at which such internally generated investment becomes insufficient.

Katherine Newman's study of work collectives found that they often succeeded in turning the collective into a source of livelihood and thereby reducing their need for outside income at a "regular" job.

The only solution to the problem [to the time pressure of outside work] was to find some source of funding so that collective members could rely upon the collective organizations themselves for their financial needs....

For two of the collectives concerned this dilemma was easily solved. The members of the organization were able to invest their own capital in order to provide for operating

⁶⁹ Dugger, *Corporate Hegemony*, p. xv.

expenses and minimally adequate salaries. Both of these were what we have termed "business collectives." The fact that they were able to generate enough cash from their own pockets to stay in business was significant. This was possible mainly because the business itself, if successful, would eventually pay its own way. The cash intake from either wholesale or retail trade provided enough to keep these two collectives going once they had a sufficient amount of start-up capital.

The "bureaucratization" story ends here for these two collectives, for they never did develop any form of organization other than the egalitarian collectivity they began with....

For the other ten collectives, however, the process of bureaucratization began at the point where they had to solicit outside support.... The type of financial aid available to the collectives varied somewhat.... Business collectives could apply to banking institutions for loan funds, while service and information collectives could not.... Service and information collectives tended to solicit grants from community agencies....

In all cases, these collectives had to convince outsiders that they warranted financial assistance.... [I]n both situations the collectives were under pressure to persuade standard, highly bureaucratized institutions of their viability....

....One of the most compelling reasons for their initial failure was the fact that the organizational format of the collectives was simply unacceptable to the tradition-bound agencies to which they had applied for help.... Banks were unwilling to take twenty cosigners on a loan form, and county supervisors were not about to turn over federal grant monies to organizations without formal hierarchies. After all, who was to be held responsible for the use of funds? In general, these collectives which sought external assistance discovered that they would have to play by the rules of these large bureaucratic agencies....⁷⁰

Leaving aside the pressures toward both bureaucratic decay of mutuals and their demutualization into capitalist enterprises altogether, the system also exerts strong structural pressures against the formation of cooperative enterprise in the first place. P.M. Lawrence, a polymath and heterodox economist who comments frequently on my blog, compared systems of political economy to ecosystems in their tendency to exclude alien elements:

You'd better have a good think about just how ground cover plants work. They cooperate to make a network externality to dominate a local ecology to exclude other plants, usually by outshading them but sometimes like Eucalyptus by poisoning the earth against other root types (e.g. with leaf litter). The thing is, while the analogy applies to one sort of economy, that doesn't make the alternative on offer exempt from the same flaws. Almost *any* approach that worked as a system would inherently tend to exclude other approaches.⁷¹

⁷⁰ Katherine Newman, "Incipient Bureaucracy: The Development of Hierarchies in Egalitarian Organizations," in Gerald M. Britan and Ronald Cohen, eds., *Hierarchy and Society: Anthropological Perspectives on Bureaucracy* (Philadelphia: Institute for the Study of Human Issues, Inc., 1980), pp. 148-50.

⁷¹ P.M. Lawrence comment on Kevin Carson, "Dan Swinney Article on the High Road," Mutualist Blog,

This is quite relevant in the case of cooperatives, as islands in a corporate capitalist sea. Winfried Vogt, after discussing the superior internal efficiencies and reduced agency costs of "liberal firms" (i.e., non-hierarchical and largely self-managed), raised the question of why their superior efficiency didn't result in their taking over the economy.

If [liberal firms] were more efficient than capitalist ones, shouldn't they have invaded capitalist economies and made their way in history? Apparently, efficient liberal firms should be able to enter a capitalist economy, receive higher profits than comparable capitalist firms and thereby take over the economy and transform it to a liberal one....

However, there is no proof that evolution always leads to optimal solutions.... If there are multiple solutions, like those of a capitalist and a liberal economy, real development may be path-dependent, i.e. the pattern which it follows may be determined by initial conditions and not by overall optimality conditions....⁷²

The comparative success rate of cooperatives is distorted by several factors. Historically, producer cooperatives have tended to be formed by employee buyouts of foundering enterprises, in order to prevent unemployment. And given the discriminatory nature of credit markets, cooperatives also tend to be formed in relatively non-capital-intensive fields with low entry barriers, like restaurants, bookstores, and groceries; and industries with low entry barriers tend for that reason to have high failure rates.⁷³

It is a commonplace of social analysis that every society promotes, both explicitly and tacitly, certain forms of productive organization by reinforcing the conditions for growth and survival of some types of enterprise while ignoring or even opposing other possibilities. Specifically, in the United States, the very forms of legal structure, access to capital, entrepreneurship, management, the remuneration of workers, and education all favor and reinforce the establishment and expansion of hierarchical corporate forms of enterprise and simultaneously create barriers to cooperative ones. Worker cooperatives are anomalies to these mainstream trends.⁷⁴

One example of such structural forces is the capitalist credit market, which tends to be hostile because the cooperative form precludes lender representation on the board of directors, and seriously limits the use of firm equity as collateral. Dealing as equals with managers who can be replaced by their workers also presents cultural difficulties for conventional banks.⁷⁵

August 5, 2005 <<http://mutualist.blogspot.com/2005/08/dan-swinney-article-on-high-road.html>>.

⁷² Winfried Vogt, "Capitalist Versus Liberal Firm and Economy: Outline of a theory," in Ugo Pagano and Robert Rowthorn, eds., *Democracy and Efficiency in the Economic Enterprise*. A study prepared for the World Institute for Development Economics Research (WIDER) of the United Nations University (London and New York: Routledge, 1994, 1996), p. 53.

⁷³ Robert Jackall and Henry M. Levin, "Work in America and the Cooperative Movement" in Jackall and Levin, ed., *Worker Cooperatives in America*, p. 9.

⁷⁴ *Ibid.*, p. 10.

⁷⁵ *Ibid.*, p. 10

In addition, the hegemony of interlocking large organizations affects civil society in another way: formerly autonomous institutions like the informal and household economies, that once defined the overall character of the system, are instead integrated into the corporate framework, serving its needs.

Large organizations also tend to turn the surrounding communities into sterile monocultures whose entire economy is geared toward serving them. Consider the growth of Columbia University, reflected in Jane Jacobs' quote from a 1964 student newspaper editorial:

In the original quadrangle of the campus... the University constituted a dead center of academic buildings, separated from the neighborhood and lacking its total life. But this center was small.... As Columbia has expanded, the central area has grown. The policy has been to build new structures as close to the old ones as possible. The justification has been the convenience of adjacent classrooms and offices. But with expansion... stores and services have begun to disappear.... The disappearance of variety saps the life of the community.

Jacobs commented:

Just by being present and in the way, other enterprises thus conflict with the efficiency of the university--not, to be sure, the university as a body of students and faculty, but the university as an administrative enterprise.⁷⁶

C. The Large Organization and Conscript Clienteles

We already saw, in Chapter Three, the ways in which the state apparatus is tied organizationally to the corporate economy, either providing direct inputs (training technical personnel, funding R&D, and subsidizing other input costs) or acting as an executive committee for the corporate economy to prevent destructive competition from lowering the rate of profit.

One way in which they interlock functionally is by the common management of what Edward Friedenberg called "conscript (or reified) clienteles":

A large proportion of the gross national product of every industrialized nation consists of activities which provide no satisfaction to, and may be intended to humiliate, coerce, or destroy, those who are most affected by them; and of public services in which the taxpayer pays to have something very expensive done to other persons who have no opportunity to reject the service. This process is a large-scale economic development which I call the *reification of clienteles*....

Although they are called "clients," members of conscript clienteles are not regarded as

⁷⁶ Jane Jacobs, *The Economy of Cities* (New York: Vintage Books, 1969, 1970), p. 101.

customers by the bureaucracies that service them, since they are not free to withdraw or withhold their custom or to look elsewhere for service. They are treated as raw material that the service organization needs to perform its social function and continue in existence.⁷⁷

...Taken together, a large proportion of the labor force [he estimated about a third] employed in modern society is engaged in processing people according to other people's regulations and instructions. They are not accountable to the people they operate on, and ignore or overlook any feedback they may receive from them....⁷⁸

Friedenberg limited his use of the term largely to bureaucracies directly funded with taxpayer money, and those whose "clients" were literally unable to refuse service. He drastically underestimated, in my opinion, the numerical significance of the institutions managing conscript clientele. He neglected, for one thing, those in the private sector whose clients are nominally free to refuse their services, but likely won't because competition is legally suppressed: the legal and medical licensing cartels, for example. Likewise, firms that sell mainly to the procurement offices of large corporations, providing poorly-designed institutional goods that are essentially the same in any large institution, and whose quality or user-friendliness is entirely irrelevant because they're being produced mainly for corporate procurement officers who won't use them, buying them on behalf of clients who have no choice but to use them (e.g. those awful toilet paper dispensers in the plastic housings, which seem painstakingly designed to perform their basic function of supplying toilet paper as poorly as possible, and to break your wrist in the process, while costing about twenty times as much as a simple spool from Lowe's). Likewise, again, goods under patent and copyright monopoly, or in which competition in basic design is limited by a regulatory cartel (e.g., the "broadcast flag" restrictions that have essentially frozen the market in DVD players).

One of Friedenberg's favorite specific cases is the so-called "public" schools, an industry that costs the taxpayer as much as the Vietnam War at its height:

It does not take many hours of observation--or attendance--in a public school to learn, from the way the place is actually run, that the pupils are there for the sake of the school, not the other way round.⁷⁹

This, too, is money spent providing goods and services to people who have no voice in determining what those goods and services shall be or how they shall be administered; and who have no lawful power to withhold their custom by refusing to attend even if they and their parents feel that what the schools provide is distasteful or injurious. They are provided with textbooks that, unlike any other work, from the Bible to the sleaziest pornography, no man would buy for his personal satisfaction. They are, precisely, not "trade books"; rather, they are adopted for the compulsory use of hundreds of thousands of other people by

⁷⁷ Edgar Z. Friedenberg, *The Disposal of Liberty and Other Industrial Wastes* (Garden City, New York: Anchor Books, 1976), pp. 1-2.

⁷⁸ *Ibid.*, p. 18.

⁷⁹ *Ibid.*, p. 2.

committees, no member of which would have bought a single copy for his own library.⁸⁰

School children certainly fulfill the principal criterion for membership in a reified clientele: being there by compulsion. It is less immediately obvious that they serve as raw material to be processed for the purposes of others, since this processing has come to be defined by the society as preparing the pupil for advancement within it.... Whatever the needs of young people might have been, no public school system developed in response to them until an industrial society arose to demand the creation of holding pens from which a steady and carefully monitored supply of people trained to be punctual, literate, orderly and compliant and graded according to qualities determining employability from the employer's point of view could be released into the economy as needed.⁸¹

This raw material processing function is central from the standpoint of our systemic focus: "bureaucracies with conscript clienteles become clients of one another, mutually dependent for referral of cases."⁸² Friedenberg called this an "institutional symbiosis,"

by which institutions with reified clienteles become dependent on one another for referrals, so that a person who has been enrolled as a client of one such institution finds himself being batted from one to another like a Ping-pong ball.⁸³

One example of such logrolling between managers of conscript clienteles is the way the "public" schools supply processed human raw material to corporate departments of "human resources":

We do not have an open economy; even when jobs are scarce, the corporations and state dictate the possibilities of enterprise. General Electric swoops down on the high schools, or IBM on the colleges, and skims off the youth who have been pre-trained for them at public or private expense.... Even a department store requires a diploma for its salespeople, not so much because of the skills they have learned as that it guarantees the right character: punctual and with a smooth record.⁸⁴

The primary function of the schools, even over and above the technical training of skilled labor-power, is--as William Dugger put it--the installation of buttons and strings:

The artisan... is a problem to the organization. She lacks buttons and strings. She must have them installed before she is fully operational. Installation... can be time-consuming and expensive; better that it be done at school and at public expense than at work and at corporate expense. So the process of contamination usually begins in school where youthful explorers who learn for the fun of it are turned into obedient students who learn for the external rewards of grades.⁸⁵

⁸⁰ Ibid., p. 6.

⁸¹ Ibid., p. 16.

⁸² Ibid., p. 2.

⁸³ Ibid., p. 18.

⁸⁴ Goodman, *Compulsory Miseducation*, pp. 20-21.

⁸⁵ William M. Dugger, *Corporate Hegemony* (New York: Greenwood Press, 1989), p. 41.

One of the central lessons of the public school system is that the important tasks are those assigned by an authority figure behind a desk, and that the way to advance in life is to find out what that authority figure wants and do it, so as to get a gold star on one's paper or another line on one's resume. For the typical college student, Paul Goodman said, ever since first grade

schooling has been the serious part of his life, and it has consisted of listening to some grown-up talking and of doing assigned lessons. The young man has almost never seriously assigned himself a task. Sometimes, as a child, he thought he was doing something earnest on his own, but the adults interrupted him and he became discouraged.⁸⁶

That's the corollary of the central lesson: any task chosen for oneself is trivialized as a "hobby," to be subordinated to the serious business of carrying out tasks assigned by the organization.

The mutually supporting relationship between the state schools and corporate personnel departments is suggested by their common affinity for personality, intelligence, and aptitude testing. And as with so many other corporate practices--among them deskilling automated control technologies and quality control--the military arguably played a significant role in their early promotion and adoption. For example Binet's IQ test, originally developed in France, owed much of its rapid spread in the U.S. to the military's interest in the grading and sorting of human resources. As the managerial classes caught on to its "the potential use of the tests for achieving a more efficient and rationally ordered society," it and other classification systems were heavily promoted by the large foundations. After WWI, the Carnegie Corporation and Ford Foundation threw their weight behind the adaptation of intelligence testing to public education and the tracking of pupils into proper employment.⁸⁷

If not for an entire population inculcated, at taxpayer expense, into the character traits desirable in a waged or salaried employee, the structural nature of employment would have developed in far different manner in the first place. The massive subsidy involved in the public schools' reproduction of labor-power has influenced the nature of the employment relation. Without such tax-funded social engineering, corporate America would likely be confronted with an entire population of job applicants expressing such attitudes as "Pee in a cup? Screw you, Jack!" or "Carry a pager when I'm off the clock? You know any other funny jokes like that?" Samuel Bowles and Herbert Gintis remarked on the central importance of this social engineering function: "Since its inception in the United States, the public-school system has been seen as a method of disciplining children in the interest of producing a properly subordinate adult population."⁸⁸

⁸⁶ Goodman, *Compulsory Miseducation*, p. 131.

⁸⁷ Samuel Bowles and Herbert Gintis, *Schooling in Capitalist America: Educational Reform and the Contradictions of Economic Life* (New York: Basic Books, Publishers, Inc., 1976), pp. 196-197.

⁸⁸ *Ibid.*, p. 37.

And much of the mandated credentialling, under meritocracy, is far in excess of the actual requirements of a particular task.

To get a good job requires more degrees [sic] than we needed. What used to take a high school degree now takes a college degree. What once took a college degree now requires an M.B.A. All these degrees do not really get them ahead; the extra degrees just keep them up with the competition--which is the essence of the speedup.⁸⁹

In a society without taxpayer subsidized technical and engineering education, most of the deskilling and most of the shift of power over production into white collar hierarchies that occurred in the twentieth century would never have happened.

Ideally, as much of the educational industry's processed material will pass directly into corporate human resources departments. For the management of those not suited for corporate employment, however, we have the welfare state and the "helping professions" (which, Friedenberg suggested, "often have to catch their clients before they can administer help to them").⁹⁰

And, to repeat, this interlocking directorate of large organizations determines the basic character of the overall system in which even small organizations operate, and permeates their internal cultures.

From the perspective of these captive clientele, to the extent that they are ostensible consumers of the "services" of large institutions, the large institutions often function as a package deal in which the "services" of one institution lock the captive client into dependence on the services of other allied institutions.

Auto manufacturers, we have already observed, produce simultaneously both cars and the demand for cars. They also produce the demand for multilane highways, bridges, and oilfields. The private car is the focus of a cluster of right-wing institutions. The high cost of each element is dictated by elaboration of the basic product, and to sell the basic product is to hook society on the entire package.⁹¹

Perhaps a better example is the way in which expensive radical monopolies over a wide range of consumer goods reinforce the control of the consumer credit industry, and the two together reinforce the average person's dependence on wage labor.

D. The New Middle Class and the Professional-Managerial Revolution.

To a large extent the systemic effects of large organizations on society, both on

⁸⁹ Dugger, *Corporate Hegemony*, p. 70.

⁹⁰ Friedenberg, p.

⁹¹ Illich, *Deschooling Society*, Chapter Four.

individuals and on organizational culture, have been mediated by the professional and managerial classes: what C. Wright Mills called the New Middle Class.⁹² Unlike the old middle class, whose livelihood was based on the ownership of small property and the control of independent business enterprise, the New Middle Class made its living as the salaried employees of large organizations.

The organizational reason for the expansion of the white collar occupations is the rise of big business and big government, and the consequent trend of modern social structure, the steady growth of bureaucracy. In every branch of the economy, as firms merge and corporations become dominant, free entrepreneurs become employees, and the calculations of accountant, statistician, bookkeeper, and clerk in these corporations replace the free "movement of prices as the coordinating agent of the economic system. The rise of big and little bureaucracies and the elaborate specialization of the system as a whole create the need for many men and women to plan, co-ordinate, and administer new routines for others. In moving from smaller to larger and more elaborate units of economic activity, increased proportions of employees are drawn into co-ordinating and managing. Managerial and professional employees and office workers of various sorts... are needed; people to whom subordinates report, and who in turn report to superiors, are links in chains of power and obedience, co-ordinating and supervising other occupational experiences, functions, and skills.⁹³

The coalescence of large organizations into a single interlocking system has been promoted by the development of a common professional culture, which is largely that of the professional and managerial classes. The corporate revolution of the post-Civil War period and the associated rise of the centralized regulatory state, followed by the large charitable and educational organizations dominating civil society, gave rise before the turn of the twentieth to the New Middle Class (or New Class) which administered the new large organizations. It has been described variously as a "managerial transformation" (C. Wright Mills⁹⁴) and "corporate reconstruction of capitalism" (Martin Sklar⁹⁵). The early twentieth century saw not only the hegemony of the large organization extended into civil society, but the transformation of large organizations of all kinds by a common managerialist culture.

The process was drastically accelerated and consolidated during the "War Collectivism" of WWI:

...the war mobilization introduced the technocratic approach and world view to a broad range of government, labor, and business leaders, thus creating a network of personal and

⁹² C. Wright Mills, *White Collar: The American Middle Classes* (New York: Oxford University Press, 1953), p. 63.

⁹³ *Ibid.*, pp. 68-69.

⁹⁴ C. Wright Mills, *The Power Elite* (Oxford and New York: Oxford University Press, 1956, 2000), p. 147

⁹⁵ Martin Sklar, *The Corporate Reconstruction of American Capitalism, 1890-1916: The Market, the Law, and Politics* (Cambridge, New York and Melbourne: Cambridge University Press, 1988), p. 27

professional associations that could become a planning constituency.⁹⁶

As suggested by our discussion of captive clienteles, the new large organizations dominating civil society sprang up largely to service the needs of the corporate economy: public schools and higher vocational-technical education to supply properly processed "human resources" to corporate employers; and the charitable non-profits and the welfare state to manage the surplus population not suited to the needs of the corporate economy, to keep their disorder and squalor from spilling over or reaching politically destabilizing levels, and to keep their purchasing power from collapsing to catastrophically low levels and worsening the problems of overproduction and overaccumulation.

The groups making up the managerial-professional New Middle Class that arose in the new state capitalist economy were the same ones described by Immanuel Goldstein, in *The Book*, as the base of the totalitarian Ingsoc movement in Oceania:

The new aristocracy was made up for the most part of bureaucrats, scientists, technicians, trade-union organizers, publicity experts, sociologists, teachers, journalists, and professional politicians. These people, whose origins lay in the salaried middle class and the upper grades of the working class, had been shaped and brought together by the barren world of monopoly industry and centralized government.

Twentieth century politics was dominated by the ideology of the professional and managerial classes that sprang up to run the new large organizations. "Progressivism," especially--the direct ancestor of 20th century liberalism (also called corporate liberalism by New Left critics)--was the ideology of the New Middle Class. As Christopher Lasch put it, it was the ideology of the "intellectual caste," in a future which "belonged to the manager, the technician, the bureaucrat, the expert."⁹⁷

Especially as exemplified by Ralph Easley's National Civic Federation,⁹⁸ and by Herbert Croly and his associates in the *New Republic* circle, Progressivism sought to organize and manage society as a whole by the same principles that governed the large organization. The classic expression of this ideology was Croly's "New Nationalist" manifesto, *The Promise of American Life*. Here's how Rakesh Khurana describes it:

The disruption of the social order occasioned by the rise of the large corporation in America and the attempt to construct a new social order for this profoundly altered social context stand as defining events of the modern era. Industrialization, coupled with urbanization, increased mobility, and the absorption of local economies into what was increasingly a single national economy dominated by large corporations, had facilitated the deinstitutionalization of traditional authority structures. The reconstitution of the institutions

⁹⁶ Alchon, p. 22.

⁹⁷ Christopher Lasch, *The New Radicalism in America (1889-1963): The Intellectual as a Social Type* (New York: Vintage Books, 1965), p. 174

⁹⁸ See James Weinstein, *The Corporate Ideal in the Liberal State, 1900-1918* (Boston: Beacon Press, 1968).

of science, professions, and the university in the course of the late nineteenth century offered alternative structures and rationales that could serve as the foundation for a new social order that, its proponents argued, was more suited to changed social conditions.... Amid the sometimes violent clashes of interests attending the rise of the new industrial society, science, the professions, and the university presented themselves as disinterested communities possessing both expertise and commitment to the common good. The combination made these three institutions, built on rational principles and widely shared, even quasi-sacred values, appear to be ideal instruments to address pressing social needs. In each case, a vanguard of institutional entrepreneurs led efforts to define (or redefine) their institutions, frame societal problems, and mobilize constituencies in ways that won credibility for these institutions in the nascent social order.⁹⁹

The New Class's general attitudes, its culture of managerialism, and its predilection for "professionalizing" all areas of life, are described well by Robert H. Wiebe:

....Most of [the Progressive reformers] lived and worked in the midst of modern society and, accepting its major thrust, drew both their inspiration and their programs from its peculiar traits. Where their predecessors would have destroyed many of urban-industrial America's outstanding characteristics, the new reformers wanted to adapt an existing order to their own ends. They prized their organizations not merely as reflections of an ideal but as sources of everyday strength, and generally they also accepted the organizations that were multiplying about them.... The heart of progressivism was the ambition of the new middle class to fulfill its destiny through bureaucratic means.¹⁰⁰

The managerialist revolution carried out by the New Class, in the large corporation, was in its essence an attempt to apply the engineer's approach (standardizing and rationalizing tools, processes, and systems) to the rationalization of the organization.¹⁰¹ These Weberian/Taylorist ideas of scientific management and bureaucratic rationality, first applied in the large corporation, quickly spread to all large organizations. And from there, they extended to attempts at "social engineering" on the level of society as a whole.

The transfer of mechanical and industrial engineers' understanding of production processes to the management of organizations, and of the managers' understanding of organizations to society as a whole, is the subject of Yehouda Shenhav's excellent book *Manufacturing Rationality: The Engineering Foundations of the Managerial Revolution*.¹⁰²

Since the difference between the physical, social, and human realms was blurred by acts

⁹⁹ Rakesh Khurana, *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession* (Princeton and Oxford: Princeton University Press, 2007), p. 87.

¹⁰⁰ Robert H. Wiebe, *The Search for Order, 1877-1920* (New York: Hill and Wang, 1967), pp. 165-166, in Khurana, p. 38.

¹⁰¹ Khurana, p. 56.

¹⁰² Yehouda Shenhav, *Manufacturing Rationality: The Engineering Foundations of the Managerial Revolution* (Oxford and New York: Oxford University Press, 1999).

of translation, society itself was conceptualized and treated as a technical system. As such, society and organizations could, and should, be engineered as machines that are constantly being perfected. Hence, the management of organizations (and society at large) was seen to fall within the province of engineers. Social, cultural, and political issues... could be framed and analyzed as "systems" and "subsystems" to be solved by technical means.¹⁰³

It's no coincidence, as Shenhav points out, that Progressivism was "also known as the golden age of professionalism..."¹⁰⁴

During this period, "only the professional administrator, the doctor, the social worker, the architect, the economist, could show the way." In turn, professional control became more elaborate. It involved measurement and prediction and the development of professional techniques for guiding events to predictable outcomes. The experts "devised rudimentary government budgets, introduced central, audited purchasing, and rationalized the structure of offices." This type of control was not only characteristic of professionals in large corporate systems. It characterized social movements, the management of schools, roads, towns, and political systems.¹⁰⁵

Progressivism was primarily a movement of "middle-class, well-to-do intellectuals and professionals," which "provided legitimization for the roles of professionals in the public sphere."

Progressive culture and big systems supported each other, slouching toward an economic coherence that would replace the ambiguity of the robber barons' capitalism through bureaucratization and rationalization.¹⁰⁶

It's also probably no coincidence that there is so much overlap between the engineers' and managers' choice of value-terms as described by Shenhav, the values of corporate liberalism described by James Weinstein, and the objectives of Gabriel Kolko's "political capitalism" reflected in the Progressive regulatory agenda. In every case, the same language was used: "system," "standardization," "rationality," "efficiency," "predictability." For example, in the field of labor relations:

Labor unrest and other political disagreements of the period were treated by mechanical engineers as simply a particular case of machine uncertainty to be dealt with in much the same manner as they had so successfully dealt with technical uncertainty. Whatever disrupted the smooth running of the organizational machine was viewed and constructed as a problem of uncertainty.¹⁰⁷

That might be taken as a mission statement of corporate liberalism, and specifically of the National Civic Federation which Weinstein treated as the prototype of corporate

¹⁰³ Ibid., p. 74

¹⁰⁴ Ibid., p. 35.

¹⁰⁵ Ibid., p. 35. Quoted material is from Robert Wiebe, *In Search of Order*.

¹⁰⁶ Ibid., p. 162.

¹⁰⁷ Ibid., p. 174.

liberalism.¹⁰⁸

The agenda of the Progressives (and of their British Fabian counterparts) initially had some anti-capitalist elements, and inclined in some cases toward a paternalistic model of state socialism. But they quickly became useful idiots for corporate capitalism, and their "socialism" was relegated to the same support role for the corporate economy that Bismarck's "Junker socialism" played in Germany. The New Class tended to expand its activities into areas of least resistance, which meant that its "progressive" inclinations were satisfied mainly in those areas where they tended to ameliorate the crisis tendencies and instabilities of corporate capitalism, and thereby to serve its long-term interests. And since genuine working class socialism wasn't all that friendly to a privileged position for the New Middle Class, whatever form of "socialism" the latter supported tended toward an extremely managerialist model that left the old centralized corporate economic structure in place with "progressive" white collar managers running it "for the workers' good."

As guild socialist G.D.H. Cole explained it, genuine socialism (in the sense of direct worker control of production) wasn't a very hospitable environment for managerialism. So the Progressive/Fabian types chose, instead, a model where production continued to be organized by giant corporate organizations, with a "progressive" New Middle Class running things and redistributing part of those organizations' income.

But the practical limit on redistribution was on what the great capitalists themselves saw as necessary to overcome the tendencies toward overproduction, underconsumption, and political instability. So the New Class was able to promote "progressive" ends, for the most part, only to the extent that they were doing what the plutocracy needed for its own ends anyway. The New Class satiated its managerial instincts, instead, by regimenting the workers themselves (to "progressive" ends, of course, and for the workers' own good).

The distributist Hilaire Belloc believed Fabian collectivism to be less dedicated to state or workers' ownership as such than to the idea of control by "efficient" centralized organizations. It would be politically impossible to expropriate the large capitalists. Therefore, attempts to regulate industry to make labor more bearable, and to create a minimal welfare state, would lead instead to a system in which employers would provide a minimum level of comfort and economic security for their employees, in return for guaranteed profits. The working class would be reduced to a state of near-serfdom, with legally-defined status replacing the right of free contract, and the state fitting the individual into a lifetime niche in the industrial machine. Such a society would appeal to the authoritarian kind of socialist, whose chief values were efficiency and control.

¹⁰⁸ The influence of engineering culture on Progressivism and corporate liberalism is also discussed, quite engagingly, in John M. Jordan, *Machine-Age Ideology: Social Engineering and American Liberalism, 1911-1939*, pp. 33-67.

Let laws exist which make the proper housing, feeding, clothing, and recreation of the proletarian mass be incumbent upon the possessing class, and the observance of such rules be imposed, by inspection and punishment, upon those whom he pretends to benefit, and all that he really cares for will be achieved.¹⁰⁹

Lest this be dismissed as overstatement, consider the actual proposals of the early Fabians (the British counterpart of Crolyite Progressives), and the extent to which they were taken up by the Margaret Sanger eugenicist wing of American liberalism. H.G. Wells favored a minimum safety net of aid to the children of the destitute, in return for making parents responsible to the state (on pain of rehabilitation in "celibate labor establishments"). Minimum wages and housing standards would be designed, not to guarantee subsistence to poor families, but to end the availability of cheap housing and low-paying jobs on which the destitute subsisted. The goal was to cease perpetuating "the educationally and technically unadaptable elements in the population" and to breed "a more efficient race by increased state supervision"--in Wells's words to "convince these people that to bear children into such an unfavorable atmosphere is an extremely inconvenient and undesirable thing."

Sidney and Beatrice Webb wanted relief conditioned on "treatment and disciplinary supervision," with local government councils imposing compulsory vaccination and determining who was "mentally defective or an excessive drinker" (these things became a reality in the Swedish "social democracy"). Those too unemployable even for the "compulsory labor exchanges" would be required to attend training camps, with "their whole time mapped out in a continuous and properly varied program of physical and mental work, all of it being made of the utmost educational value." Those refusing to cooperate would be sent to "Reformatory Detention Colonies."¹¹⁰

Consider, further, how this has been translated into the "soccer mom liberalism" of today's suburban professionals. Consider the Clintons, who sent their own daughter to Sidwell Friends, but consider the "public" schools perfectly acceptable for those who can't afford tuition to elite private schools. Consider Rosie O'Donnell, who thinks it's fine for the super-rich like herself to hire "professional" security guards rather than depending on the cops to answer a 911 call just in time to identify her body, but doesn't think ordinary people ("non-professionals") should be allowed to own firearms. Consider that great friend of the working class Barbra Streisand, who negotiated a hotel contract for her entourage by which any hotel employee looking directly at her would be fired (at least she didn't, like the Japanese Sun Emperor, expect them to avoid viewing her shadow on the ground). In short, "liberalism" is the ideology of upper middle class professionals who want to keep the world safe for their nice, pastel-hued, orderly existence, by regulating the lower orders sufficiently to keep their squalor and disorder from spilling over into the

¹⁰⁹ Hilaire Belloc, *The Servile State* (Indianapolis: Liberty Classics, 1913, 1977), pp. 146-147.

¹¹⁰ H. G. Wells, *Mankind in the Making* (New York: Scribner's Sons, 1909); Sidney and Beatrice Webb, *The Prevention of Destitution* (London, New York: Longmans, Green and Co., 1911); John P. McCarthy, *Hilaire Belloc, Edwardian Radical* (Indianapolis: Liberty Press, 1970).

white bread suburbs.

To repeat, the central theme for the New Middle Class was managerialism. This meant, especially, minimizing conflict, and transcending class and ideological divisions through the application of disinterested expertise.

For the new radicals, conflict itself, rather than injustice or inequality, was the evil to be eradicated. Accordingly, they proposed to reform society... by means of social engineering on the part of disinterested experts who could see the problem whole and who could see it essentially as a problem of resources... the proper application and conservation of which were the work of enlightened administration.¹¹¹

In Yehouda Shenhav's account, this apolitical ethos goes back to engineers' self-perception, which subsequently influenced the managerial ideology in the large organization and the Progressive movement at the level of society as a whole: "American management theory was presented as a scientific technique administered for the good of society as a whole without relation to politics."¹¹² Taylor saw bureaucracy as "a solution to ideological cleavages, as an engineering remedy to the war between the classes."¹¹³ At the level of state policy, the Progressives' professionalized approach to politics was "perceived to be objective and rational, above the give-and-take of political conflict." It reflected "a pragmatic culture in which conflicts were diffused and ideological differences resolved."¹¹⁴ Both Progressives and industrial engineers "were horrified at the possibility of 'class warfare,'" and saw "efficiency" as a means to "social harmony, making each workman's interest the same as that of his employers."¹¹⁵

The problem was that this simplistic view of a "common interest" in increased productivity ignored the question (as we will see in our discussion of privilege in Chapter Eleven) of who appropriated the productivity gains, or how they were divided between labor and capital. It begged the question as to whether there was an objective basis in principle on how the surplus was to be divided. If, in fact, management took advantage of its power to appropriate the results of increased labor productivity, the "soldiering" that Taylor complained of was entirely rational.

The tendency in all aspects of life was to treat policy as a matter of expertise rather than politics: to remove as many questions as possible from the realm of public debate to the realm of administration by properly qualified authorities.

Social problems were thus allowed to enter the organizational realm only after being dressed in technical terms. Pragmatic solutions were to replace ideological controversies.¹¹⁶

¹¹¹ Lasch, *The New Radicalism in America*, p. 162.

¹¹² Shenhav, p. 5.

¹¹³ *Ibid.*, p. 8.

¹¹⁴ *Ibid.*, p. 35.

¹¹⁵ *Ibid.*, p. 96.

¹¹⁶ *Ibid.*, p. 189.

As a *New Republic* editorial put it, "the business of politics has become too complex to be left to the pretentious misunderstandings of the benevolent amateur."¹¹⁷ JFK, in similar terms, announced that

most of the problems... that we now face are technical problems, are administrative problems. They are very sophisticated judgments, which do not lend themselves to the great sort of passionate movements which have stirred this country so often in the past. [They] deal with questions which are now beyond the comprehension of most men....¹¹⁸

The "end of ideology" thesis, obviously, was very much an ideology of the New Middle Class, as is interest group pluralism.

Central to the Progressive mindset was the concept of "disinterestedness," by which the "professional" was a sort of philosopher-king qualified to decide all sorts of contentious issues on the basis of immaculate expertise, without any intrusion of ideology or sordid politics.¹¹⁹ I quote at Length from Christopher Lasch, in *The Revolt of the Elites*:

The drive to clean up politics gained momentum in the progressive era.... [T]he progressives preached "efficiency," "good government," [the origin of the term "goo-goo"] "bipartisanship," and the "scientific management" of public affairs and declared war on "bossism." They attacked the seniority system in Congress, limited the powers of the Speaker of the House, replaced mayors with city managers, and delegated important governmental functions to appointive commissions staffed with trained administrators.... They took the position that government was a science, not an art. They forged links between government and the university so as to assure a steady supply of experts and expert knowledge. But they had little use for public debate. Most political questions were too complex, in their view, to be submitted to popular judgment....

Professionalism in politics meant professionalism in journalism. The connection between them was spelled out by Walter Lippmann.... [His books] provided a founding charter for modern journalism, the most elaborate rationale for a journalism guided by the new ideal of professional objectivity.¹²⁰

This distrust of controversy and debate--of politics--is exemplified in the Gradgrindian vision of Horace Mann, the founder of education. Mann, as a precursor of the New Class, contrasted the realm of "fact," administered by qualified and disinterested experts, with that of opinion. In practice this meant he distrusted not only controversy

¹¹⁷ Quoted by John M. Jordan in *Machine Age Ideology: Social Engineering and American Liberalism, 1911-1939* (Chapel Hill, University of North Carolina Press, 1994), p. 76.

¹¹⁸ Christopher Lasch, *The Culture of Narcissism: American Life in an Age of Diminishing Expectations* (New York: Warner Books, 1979), p. 145.

¹¹⁹ Khurana, p. 69.

¹²⁰ Christopher Lasch, *The Revolt of the Elites and the Betrayal of Democracy* (New York and London: W.W. Norton & Co., 1995), pp. 167-168.

and debate, but "pedagogically unmediated experience."

Like many other educators, Mann wanted children to receive their impressions of the world from those who were professionally qualified to decide what was proper for them to know, instead of picking up impressions haphazardly from narratives (both written and oral) not expressly designed for children. Anyone who has spent much time with children knows that they acquire much of their understanding of the adult world by listening to what adults do not necessarily want them to hear--by eavesdropping, in effect, and just by keeping their eyes and ears open. Information acquired in this way... enables children to put themselves imaginatively in the place of adults instead of being treated simply as objects of adult solicitude and didacticism. It was precisely this imaginative experience of the adult world, however--this unsupervised play of young imaginations--that Mann hoped to replace with formal instruction....

The great weakness in Mann's educational philosophy was the assumption that education takes place only in schools.... It simply did not occur to him that activities like politics, war, and love--the staple themes of the [fiction] books he deplored--were educative in their own right. He believed that partisan politics, in particular, was the bane of American life.¹²¹

...Nothing of educational value... could issue from the clash of opinion, the noise and heat of political and religious debate. Education could take place only in institutions deliberately contrived for that purpose, in which children were exposed exclusively to knowledge professional educators considered appropriate.¹²²

This last belief is a foreshadowing of the general disapproval of politics which became central to the later political agenda of the New Middle Class:

...Mann wanted to keep politics out of the school...because he distrusted political activity as such.... It generated controversy--a necessary part of education, it might be argued, but in Mann's eyes, a waste of time and energy.... The subject [of political history] could not be ignored entirely; otherwise children would gain only "such knowledge as they may pick up from angry political discussions, or from party newspapers." But instruction in the "nature of a republican government" was to be conducted so as to emphasize only "those articles in the creed of republicanism, which are accepted by all, believed in by all, and which form the common basis of our political faith."¹²³

This "common... political faith" bore a suspicious resemblance to the Whig doctrine of his own day, and became the basis of the pious Little Red Schoolhouse version of American history so effectively ridiculed by Voltairine de Cleyre in "Anarchism and American Traditions." It bears a striking resemblance, today and in my neck of the woods, to the worldview of the bluenose Benton County Republican with a stick up his ass, who believes "Christian businessman" is one word.

¹²¹ Lasch, *The Revolt of the Elites*, p. 151.

¹²² Lasch, *The Revolt of the Elites*, p. 158.

¹²³ Lasch, *The Revolt of the Elites*, p. 153.

The same principle is reflected in the cult of "objectivity" in the Lippmann model of professional journalism. Lippmann's view of society and government in general was that "[s]ubstantive questions could be safely left to experts, whose access to scientific knowledge immunized them against the emotional 'symbols' and 'stereotypes' that dominated public debate." His influence on twentieth century journalism, in particular, was to destroy the earlier function of newspapers in the nineteenth century as the center of democratic debate. "Newspapers might have served as extensions of the town meeting. Instead they embraced a misguided ideal of objectivity and defined their goal as the circulation of reliable information...."¹²⁴ This was the basis of the modern model of "journalism as stenography," with reporters simply repeating what "he said" and "she said," and viewing any direct recourse by the reporter to the realm of fact as a violation of his neutrality (see Appendix on Journalism as Stenography).

In both journalism and education, this prejudice is fundamentally wrong-headed. As Christopher Lasch so pointedly observed, controversy "is educative in its own right."¹²⁵

...Since the public no longer participates in debates on national issues, it has no reason to inform itself about civic affairs. It is the decay of public debate, not the school system (bad as it is), that makes the public ill informed, notwithstanding the wonders of the age of information. When debate becomes a lost art, information, even though it may be readily available, makes no impression.

What democracy requires is vigorous public debate, not information. Of course, it needs information too, but the kind of information it needs can be generated only by debate. We do not know what we need to know until we ask the right questions, and we can identify the right questions only by subjecting our own ideas about the world to the test of public controversy. Information, usually seen as the precondition of debate, is better understood as its byproduct. When we get into arguments that focus and fully engage our attention, we become avid seekers of relevant information. Otherwise we take in information passively--if we take it in at all.¹²⁶

...Lippmann had forgotten what he learned (or should have learned) from William James and John Dewey: that our search for reliable information is itself guided by the questions that arise during arguments about a given course of action. It is only by subjecting our preferences and projects to the test of debate that we come to understand what we know and what we still need to learn.... It is the act of articulating and defending our views that lifts them out of the category of "opinions".... In short, we come to know our own minds only by explaining ourselves to others.¹²⁷

The partisan press of the nineteenth century is the classic example of the emergence of truth through dialectic, or the adversarial process. "Their [Greeley's, Godkin's, etc.]

¹²⁴ Lasch, *The Revolt of the Elites*, p. 11.

¹²⁵ Lasch, *The Revolt of the Elites*, p. 10.

¹²⁶ Lasch, *The Revolt of the Elites*, p. 163.

¹²⁷ Lasch, *The Revolt of the Elites*, p. 170.

papers were journals of opinion in which the reader expected to find a definite point of view, together with unrelenting criticism of opposing points of view."¹²⁸ Lippmann's view of the world, on the other hand, amounted to a "spectator theory of knowledge."¹²⁹

The meritocratic ideal described earlier is a vitally important legitimizing ideology for the New Middle Class. Although meritocracy and "upward mobility" are now commonly equated to the American democratic ideology, the meritocratic ideal is in fact a complete departure from the earlier Jeffersonian democratic ideal. Christopher Lasch described very astutely the differences between them. Under the old, populist conception, what mattered was the class structure at any given time. The ideal was the wide diffusion of property ownership, with the great majority in the producing classes having a material base for economic independence. The advocates of the democratic ideal, as it existed through the first half of the nineteenth century,

understood that extremes of wealth and poverty would be fatal to the democratic experiment.... Democratic habits, they thought - self-reliance, responsibility, initiative—were best acquired in the exercise of a trade or the management of a small holding of property. A “competence,” as they called it, referred both to property itself and to the intelligence and enterprise required by its management. It stood to reason, therefore, that democracy worked best when democracy was distributed as widely as possible among the citizens.

The point can be stated more broadly: Democracy works best when men and women do things for themselves, with the help of their friends and neighbors, instead of depending on the state.¹³⁰

The average member of the producing classes should rest secure in the knowledge that he would be able to support himself in the future, without depending on the whims of an employer. The purpose of education was to produce a well-rounded individual. It aimed at the wide diffusion of the general competence needed by ordinary people for managing their own affairs, on the assumption that they retained control over the main forces affecting their daily lives.

When Lincoln argued that advocates of free labor “insisted on universal education,” he did not mean that education served as a means of upward mobility. He meant that citizens of a free country were expected to work with their heads as well as their hands.... Advocates of free labor took the position... that “heads and hands should cooperate as friends; and that [each] particular head, should direct and control that particular pair of hands.”¹³¹

The meritocratic philosophy, on the other hand, holds that the functions of “hands”

¹²⁸ Lasch, *The Revolt of the Elites*, p. 163.

¹²⁹ Lasch, *The Revolt of the Elites*, p. 171.

¹³⁰ Lasch, *The Revolt of the Elites*, pp. 7-8.

¹³¹ *Ibid.*, p. 69.

and “head” should be exercised by distinct classes of people, with the “head” class managing the “hands” class. “Social mobility” means simply that members of the “hands” class should have the opportunity to advance into the “head” class if they’re willing to go to school for twenty years and abase themselves before enough desk jockeys.

The meritocratic philosophy, as Lasch described it, called not for rough equality of condition, but only for social mobility (defined as the rate of “promotion of non-elites into the professional-managerial class”).¹³²

The new managerial and professional elites... have a heavy investment in the notion of social mobility—the only kind of equality they understand. They would like to believe that Americans have always equated opportunity with upward mobility.... But a careful look at the historical record shows that the promise of American life came to be identified as social mobility only when more hopeful interpretations of opportunity had become to fade.¹³³

Through most of the nineteenth century, Americans viewed as abnormal both a large class of propertyless wage laborers, and the ownership of economic enterprise by an absentee rentier class that lived entirely off the returns on accumulated wealth. Such things were associated with the decadence and corruption of the Old World.

Lincoln denounced as the “mud-sill theory” the idea “that nobody labors unless someone else, owning capital, somehow, by the use of that capital, induces him to it.” He contrasted to this the small-r republican ideal, that “a large majority are neither *hirers* nor *hired*.”

One of Lasch’s most telling comments on meritocracy was this:

Social mobility does not undermine the influence of elites; if anything, it helps to solidify their influence by supporting the illusion that it rests solely on merit. It merely strengthens the likelihood that elites will exercise power irresponsibly, precisely because they recognize so few obligations to their predecessors or to the communities they profess to lead.¹³⁴

Meritocracy also has a powerful legitimizing effect on the concentration of wealth and power.

High rates of mobility are by no means inconsistent with a system of stratification that concentrates power and privilege in a ruling elite. Indeed, the circulation of elites strengthens the principle of hierarchy, furnishing elites with fresh talent and legitimizing their ascendancy as a function of merit rather than of birth.¹³⁵

¹³² Ibid., p. 5.

¹³³ Ibid., p. 50.

¹³⁴ Ibid., p. 41.

¹³⁵ Christopher Lasch, *The Revolt of the Elites*, p. 77.

It's hard to get much closer to a pure meritocracy than the Inner Party of 1984.

We already saw, in the section of this chapter on radical monopoly, how credentialing and professionalization erect entry barriers or toll gates against comfortable subsistence. These things, more fundamentally, are the result of the New Middle Class's hegemony. Lasch, in his introduction to David Noble's *America by Design*, described Taylorism as an expropriation of the worker's skill, following directly on the expropriation of his land and capital in the so-called primitive accumulation process.

The capitalist, having expropriated the worker's property, gradually expropriated his technical knowledge as well, asserting his own mastery over production....

The expropriation of the worker's technical knowledge had as a logical consequence the growth of modern management, in which technical knowledge came to be concentrated. As the scientific management movement split up production into its component procedures, reducing the worker to an appendage of the machine, a great expansion of technical and supervisory personnel took place in order to oversee the productive process as a whole.¹³⁶

The same was true of the "helping professions" that governed so many aspects of the worker's life outside of work. If Taylorism expropriated the worker's skill on the job, then the "helping professions" alienated him from his own common sense in the realms of consumption and family life.

...[C]areerism tends to undermine democracy by divorcing knowledge from practical experience, devaluing the kind of knowledge that is gained from experience, and generating social conditions in which ordinary people are not expected to know anything at all.¹³⁷

...The conversion of popular traditions of self-reliance into esoteric knowledge administered by experts encourages a belief that ordinary competence in almost any field, even the art of self-government, lies beyond reach of the layman.¹³⁸

The average person was transformed into a client of professional bureaucracies, as Barton Bledstein described it in *The Culture of Professionalism: The Middle Class and the Development of Higher Education in America*:

The citizen became a client whose obligation was to trust the professional. Legitimate authority now resided in special places like the courtroom, the classroom, and the hospital; and it resided in special words shared only by experts.¹³⁹

¹³⁶ Lasch, "Introduction," David F. Noble. *America By Design: Science, Technology, and the Rise of Corporate Capitalism* (New York: Alfred A. Knopf, 1977), pp. xi-xii.

¹³⁷ Lasch, *The Revolt of the Elites*, p. 79.

¹³⁸ Lasch, *The Culture of Narcissism*, p. 226.

¹³⁹ Quoted in Harry Boyte, *The Backyard Revolution: Understanding the New Citizen Movement* (Philadelphia: Temple University Press, 1980).

Christopher Lasch referred to "a consensus among 'helping professions' that the family could no longer provide for its own needs."

Doctors, psychiatrists, child development experts, spokesmen for the juvenile courts, marriage counselors, leaders of the public hygiene movement all said the same thing.... Ellen Richards, founder of the modern profession of social work, argued: "In the social republic the child as a future citizen is an asset of the state, not the property of its parents. Hence its welfare is a direct concern of the state."¹⁴⁰

The profession of social work lamented their inability to "instill... principles of mental health" in parents, and the "inaccessibility" of the home as a barrier to their promoting high levels of mental health in the new generation of assets of the state. Especially of concern, among all the recalcitrant attitudes displayed by atavistic parents, was a "warped view of authority" (for which refusal to cooperate cheerfully with the authorities was, of course, *prima facie* evidence).¹⁴¹ The latest behavior order du jour, among the Ritalin pushers of the public schools--"Oppositional Defiance Disorder"--probably reflects a similar assessment. Some diagnoses reflect more on the doctor than they do on the "patient."

One aspect of the therapeutic culture, in particular, is seldom remarked on. Although the mental health approach to crime is often celebrated as an advance in humanity, it also erodes all the traditional due process protections of the accused under criminal law. After all, why would you need protection against someone who's acting for your own good? While the convicted felon is absolutely free and beholden to no one when his sentence is complete, the "patient" isn't free until his "helpers" decide he's cured. That's a theme developed by C.S. Lewis in both fiction (*That Hideous Strength*) and non-fiction (*The Abolition of Man*) venues, and by Anthony Burgess in *A Clockwork Orange*.

John McKnight described the ways the "helping professions" infantilize ordinary citizens:

When the capacity to define the problem becomes a professional prerogative, citizens no longer exist. The prerogative removes the citizen as problem definer, much less problem solver. It translates political functions into technical and technological problems.¹⁴²

This is true not just of the "helping professions," although Lasch focused mainly on them. On a more general level, the dominance of so many areas of economic life by professional license cartels has had the same effect (as we saw earlier in this chapter--e.g. Ivan Illich's discussion of self-built housing) of alienating the individual from his own competency. To quote Lasch again, there was a general phenomenon of

¹⁴⁰ Lasch, *The Culture of Narcissism*, pp. 268-269.

¹⁴¹ Lasch, *The Culture of Narcissism*, pp. 269-270.

¹⁴² John McKnight "Are the Helping Systems Doing More Harm Than Good?" (Speech to the 1976 retreat of the Brainerd, Minn. Community Planning Organization), quoted in Boyte pp. 173-174.

the erosion of self-reliance and ordinary competence by the growth of giant corporations and of the bureaucratic state that serves them. The corporations and the state now control so much of the necessary know-how that Durkheim's mage of society as the "nourishing mother"... more and more coincides with the citizen's everyday experience.¹⁴³

The hegemony of the New Class over the large organization was matched by the escalating importance of professionalism even in services performed at an individual level. Through most of the nineteenth century, admissions to the legal and medical professions were governed by an informal and largely unregulated apprenticeship system. Formal training at legal or medical schools was not required; and the professions, collegially, had no formal licensing power.¹⁴⁴ "By the 1890s," however (Rakesh Khurana writes), "the traditional professions were strongly reasserting themselves, while many new ones were arising to stake their own claims to professional authority and privilege."¹⁴⁵

From 1886 to 1909, the number of legal and medical schools in the United States mushroomed. After that time their numbers fell significantly; but this reflected the increasing power of the professions, collegially organized, to suppress professional schools that failed to meet either the professions' standards of quality or their institutional culture. The Carnegie Foundation's 1910 report on medical education, and its 1914 report on legal education, were the entering wedge of the licensing cartels' power to regulate professional education and to suppress competing models of practice.¹⁴⁶ From around this time on, for example, the medical field came to be regulated according to strictures set by formal associations of allopathic physicians, and competing medical schools reflecting other models of practice--chiropractic, osteopathic, naturopathic, etc.--were either shut down or severely restricted.

The phenomenon was manifested, locally, in the movement to "professionalize" municipal government. According to Samuel Hays, it was primarily the upper class that favored "reform" in local government.

The drama of reform lay in the competition for supremacy between two systems of decision-making. One system based on ward representation... involved wide latitude for the expression of grass roots impulses.... [In] the other... decisions arose from expert analysis and flowed from fewer and smaller centers outward to the rest of society.¹⁴⁷

¹⁴³ Lasch, *The Culture of Narcissism*, p. 386.

¹⁴⁴ Khurana, p. 65.

¹⁴⁵ Khurana., p. 67.

¹⁴⁶ Khurana, p. 67.

¹⁴⁷ Samuel P. Hays, "The Politics of Reform in Municipal Government in the Progressive Era," *Pacific Northwest Quarterly*, October 1964, pp. 152, 170. In Samuel Bowles and Herbert Gintis, *Schooling in Capitalist America: Educational Reform and the Contradictions of Economic Life* (New York: Basic Books, Inc., 1976),

The purpose of school administration "reform," as of the whole municipal "good government" agenda, was

to centralize control of urban education in the hands of experts. They sought to replace ward elections for school boards by citywide at-large elections, to grant autonomy to the superintendent, and to develop a more specialized and well-defined hierarchical bureaucratic order for the improvement and control of the schools. Schools were to be as far removed as possible from the sordid world of politics.

...Proponents of reform tended to be lawyers, businessmen--particularly the new and rising corporate elite--upper-class women's groups, school superintendents, university professors, and presidents.... Though locally based, these reformers used the National Education Association, the Chambers of Commerce, newspapers, professional journals, and businessmen's clubs to forge what one of their foremost historians termed a "nationwide interlocking directorate."¹⁴⁸

The "reformers" were quite explicit on what they viewed as overrepresentation of blue collar workers on school boards, and the need to elevate the quality of their membership. For example, consider the 1911 Statement of the Voters' League of Pittsburgh:

Employment as ordinary laborer and in the lowest class of mill worker would naturally lead to the conclusion that such men did not have sufficient education or business training to act as school directors.... Objection might also be made to small shopkeepers, clerks, workmen at many trades, who by lack of educational advantages and business training, could not, no matter how honest, be expected to administer properly the affairs of an educational system, requiring special knowledge, and where millions are spent each year.¹⁴⁹

In the twenty-eight largest cities in the U.S. from 1893 to 1913, the average number of seats on central school boards was cut in half and most ward school boards were eliminated altogether. In the meantime, business and professional representation drastically increased on school boards, and clerical and wage workers fell below ten percent of the membership.¹⁵⁰

A central preoccupation of the professional and managerial New Middle Class was social control. As one might guess, they served as shock troops of the revolution in "manufacturing consent" or engineering public consciousness: a series of related fields including state propaganda, psychological warfare, public relations, and mass advertising. St. Woodrow's crusade, for which the Creel Commission "manufactured consent," may or may not have been a war to make the world "safe for democracy." But the science of molding public consciousness, pioneered by the Creel Commission and such figures as Edward Bernays and Harold Lasswell, most definitely made democracy safe for the giant corporation and the authoritarian state.

¹⁴⁸ Bowles and Gintis, p. 187.

¹⁴⁹ In *Ibid.*, pp. 188-189.

¹⁵⁰ *Ibid.*, p. 189

The new industry of advertising... appeared to the social engineers of an earlier time as an exciting exercise in mass education. Even before the First World War showed that it was possible to mobilize public opinion in overwhelming support of predetermined policies-- showed, in the words of that super-salesman, George Creel, "how we advertised America"-- the more advanced planners had glimpsed the implications of advertising for the science of social control. Ellen H. Richards, in her book *Euthenics: The Science of Controllable Environment*, argued that advertising could even take the place of religion as a stimulus to good behavior.¹⁵¹

As we already saw in Chapter One, mass advertising was developed as a way of inculcating the kind of mass consumption behavior that was necessary for economic stability in an economy of mass production and push distribution. More generally, the science of "manufacturing consent" came about to serve the need of giant corporate and government organizations to shape the kind of public consciousness and behavior suited to their own needs.

As Noam Chomsky has observed in numerous places, the appearance of majority literacy, universal suffrage and formal democracy occurred at roughly the same time that society was falling under the control of large, centralized organizations that required insulation from instability and outside political interference by the masses. Galbraith's "technostructure," with its enormous capital investments, large-scale organization of technical manpower, and long planning horizons, is a good example: it needed a stable and predictable economic environment, and in particular a public conditioned to consume what it produced. The same is true of the corporate state's apparatus for global political and economic management: as described by Samuel Huntington in *The Crisis of Democracy*, the United States was able to function as "the hegemonic power in a system of world order" only because of a domestic structure of political authority in which the country, for the first twenty-five blessed years after WWII,

was governed by the president acting with the support and cooperation of key individuals and groups in the Executive office, the federal bureaucracy, Congress, and the more important businesses, banks, law firms, foundations, and media, which constitute the private establishment.¹⁵²

The dominance of such institutions over society can only survive when the public is conditioned to define political "moderation" and "centrism" in terms of the range of policy alternatives compatible with the existence of those institutions, and to limit "reform" to those measures which can be implemented by the elites running those institutions. In short, a society dominated by such institutions can exist on a stable basis only when

¹⁵¹ Lasch, *The New Radicalism in America*, p. 167.

¹⁵² Samuel P. Huntington, Michael J. Crozier, Joji Watanuki. *The Crisis of Democracy*. Report on the Governability of Democracies to the Trilateral Commission: Triangle Paper 8 (New York: New York University Press, 1975), p. 92.

It's interesting to consider, just as a side note, how differently the New Middle Class has been treated by different segments of contemporary American politics. It has, to be sure, featured in the thought of such prominent conservatives as Peggy Noonan and David Brooks. The odd thing, though, is that their discussion of the "New Class" focuses entirely on the helping professions, journalism, and so forth; in other words, what I call the *soft* New Class. They neglect entirely the *hard* New Class of managers and engineers in the corporate economy. They ignore the obvious parallels between Taylorism and Fordism in industry, and the dominance of professionals in education and mental health. As Lasch pointed out, they are all manifestations of exactly the same phenomenon: the rise of monopoly capitalism, with the attendant bureaucratization of business, government, *and* society.¹⁵³

It is true that a professional elite of doctors, psychiatrists, social scientists, technicians, welfare workers, and civil servants now plays a leading part in the administration of the state and of the "knowledge industry." But the state and the knowledge industry overlap at so many points with the business corporation..., and the new professionals share so many characteristics of the managers of industry, that the professional elite must be regarded not as an independent class but as a branch of modern management.¹⁵⁴

...Both the growth of management and the proliferation of professions represent new forms of capitalist control, which first established themselves in the factory and then spread throughout society. The struggle against bureaucracy therefore requires a struggle against capitalism itself. Ordinary citizens cannot resist professional dominance without also asserting control over production and over the technical knowledge on which modern production rests.¹⁵⁵

Postscript: Crisis Tendencies

Through the twentieth century, ever larger portions of the operating costs of big business were externalized on the taxpayer. Indeed, it is quite plausible that a positive rate of profit, under twentieth century state capitalism, was possible only because the state underwrote so much of the cost of reproduction of constant and variable capital, and undertook "social investment" which increased the efficiency of labor and capital and consequently the rate of profit on capital.

And the demands of monopoly capital on the state, for more and subsidized inputs to maintain the illusion of profit, only increased through the century. As James O'Connor described it in *Fiscal Crisis of the State*,

...the socialization of the costs of social investment and social consumption capital

¹⁵³ Lasch, *The Culture of Narcissism*, pp. 290n, 392.

¹⁵⁴ *Ibid.*, p. 394.

¹⁵⁵ *Ibid.*, p. 396.

increases over time and increasingly is needed for profitable accumulation by monopoly capital. The general reason is that the increase in the social character of production (specialization, division of labor, interdependency, the growth of new social forms of capital such as education, etc.) either prohibits or renders unprofitable the private accumulation of constant and variable capital.¹⁵⁶

O'Connor did not adequately deal with a primary reason for the fiscal crisis: the increasing role of the state in performing functions of capital reproduction removes an ever-growing segment of the economy from the market price system. But the effect of such economic irrationality has already been suggested by Ivan Illich:

....queues will sooner or later stop the operation of any system that produces needs faster than the corresponding commodity....¹⁵⁷

...institutions create needs faster than they can create satisfaction, and in the process of trying to meet the needs they generate, they consume the Earth.¹⁵⁸

The distortion of the price system, which in a free market ties quantity demanded to quantity supplied, leads to ever-increasing demands on state services. Normally price functions as a form of feedback, a homeostatic mechanism much like a thermostat. David Boyer, an Austrian economist,

All human action has ends and means. All human action also has consequences determined objectively (and unsubjectively) by reality. The consequences for actions are the feedback mechanism by which a human being controls his behavior. No matter how complex the human social institution you end up with individuals acting and controlling their actions based on the feedback they get from reality based on the consequences of their actions.

The natural market has the feedback mechanisms built-in....

....All human action (in order to achieve it's intended aims) must be accompanied by objective feedback data....

....[The state] uses it's "legitimate" monopoly on force to externalize (fancy word for avoiding consequences, or what I'm calling the feedback loop) the costs of its actions.¹⁵⁹

(and those of the privileged ruling class elements that sit at the helm of the state, as well).

¹⁵⁶ James O'Connor, *The Fiscal Crisis of the State* (New York: St. Martin's Press, 1973), p. 8.

¹⁵⁷ Illich, *Disabling Professions*, p. 30.

¹⁵⁸ Illich, *Deschooling Society*, p. 58.

¹⁵⁹ David Boyer posts to Austrian School of Economics YahooGroup, January 29 and 30, 2004.

Putting a candle under a thermostat will result in an ice-cold house. When the consumption of some factor is subsidized by the state, the consumer is protected from the real cost of providing it, and unable to make a rational decision about how much to use. So the state capitalist sector tends to add factor inputs extensively, rather than intensively; that is, it uses the factors in larger amounts, rather than using existing amounts more efficiently. The state capitalist system generates demands for new inputs from the state geometrically, while the state's ability to provide new inputs increases only arithmetically. The result is a process of snowballing irrationality, in which the state's interventions further destabilize the system, requiring yet further state intervention, until the system's requirements for stabilizing inputs finally exceed the state's resources. At that point, the state capitalist system reaches a breaking point.

As we argued earlier, policymaking elites tend to solve problems of input shortage or overburdened infrastructure by more of the same--i.e., even more subsidized inputs--thus pushing the system even more rapidly toward collapse.

The total collapse of the industrial monopoly on production will be the result of synergy in the failure of multiple systems that fed its expansion. This expansion is maintained by the illusion that careful systems engineering can stabilize and harmonize present growth, while in fact it pushes all institutions simultaneously toward their second watershed.¹⁶⁰

Two of the early lessons learned by Jay Forrester, the founder of Systems Dynamics, were that

...[T]he actions that people know they are taking, usually in the belief that the actions are a solution to difficulties, are often the cause of the problems being experienced.

and

...[T]he very nature of the dynamic feed-back structure of a social system tends to mislead people into taking ineffective and even counterproductive action.¹⁶¹

Probably the best example of this phenomenon is the transportation system. State subsidies to highways, airports, and railroads, by distorting the cost feedback to users, destroy the link between the amount provided and the amount demanded. The result, among other things, is an interstate highway system that generates congestion faster than it can build or expand the system to accommodate congestion. The transportation system continues to expand out of control, and yet is bottlenecked at any given time. The cost of repairing the most urgent deteriorating roadbeds and bridges is several times greater than the amount appropriated for that purpose. In civil aviation, at least before the September

¹⁶⁰ Illich, *Tools for Conviviality*, p. 103.

¹⁶¹ Jay Forrester, "System Dynamics and the Lessons of 35 Years" (a chapter for *The Systemic Basis of Policy Making in the 1990s*, edited by Kenyon B. De Greene), April 29, 1991.

11 attacks, the result was planes stacked up six high over O'Hare airport. There is simply no way to solve these crises by building more highways or airports. The only solution is to fund transportation with cost-based user fees, so that the user perceives the true cost of providing the services he consumes. But this solution would entail the destruction of the existing centralized corporate economy.

The same law of excess consumption and shortages manifests itself in the case of energy. When the state subsidizes the consumption of resources like fossil fuels, business tends to add inputs extensively, instead of using existing inputs more intensively. Since the incentives for conservation and economy are artificially distorted, demand outstrips supply. But the energy problem is further complicated by finite reserves of fossil fuels. "Peak Oil," for example, has been a highly visible issue for the past couple of years--i.e., the contention that oil production has peaked or will do so shortly, and that a dwindling supply of ever more expensive petroleum will be available for allocation among competing global needs. It seems likely that such steep increases in fuel prices would lead, through market forces, to a radical decentralization of the economy and a resurgence of small-scale production for local markets--as Warren Johnson suggested during the shortages of the 1970s. It's interesting, by the way, that the only time in the twentieth century that absolute levels of fuel consumption actually declined was during the historic peak in oil prices of the early 1980s, which were high enough to encourage energy efficiency in earnest. Like every other kind of state intervention, subsidies to transportation and energy lead to ever greater irrationality, culminating in collapse.

Other centralized offshoots of the state capitalist system produce similar results. Corporate agribusiness, for example, requires several times as much synthetic pesticide application per acre to produce the same results as in 1950--partly because of insect resistance, and partly because pesticides kill not only insect pests but their natural enemies up the food chain. At the same time, giant monoculture plantations typical of the agribusiness system are especially prone to insects and blights which specialize in particular crops. The use of chemical fertilizers, at least the most common simple N-P-K varieties, strips the soil of trace elements--a phenomenon noted long ago by Max Gerson. The chemical fillers in these fertilizers, as they accumulate, alter the osmotic quality of the soil--or even render it toxic. Reliance on such fertilizers instead of traditional green manures and composts severely degrades the quality of the soil as a living biological system: for example, the depletion of mycorrhizae which function symbiotically with root systems to aid absorption of nutrients. The cumulative effect of all these practices is to push soil to the point of biological collapse. The hardpan clay on many agribusiness plantations is virtually sterile biologically, often with less than a single earthworm per cubic yard of soil. The result, as with chemical pesticides, is ever increasing inputs of fertilizer to produce diminishing results: to put the same thing in two slightly different ways, U.S. fertilizer use increased 900% from 1940 to 1975 while farm output increased only 90%, and in 1975 it took five times as much nitrogen fertilizer to produce the same

crop as in 1947.¹⁶²

Hazel Henderson, in "Entropy State," added another significant example of diminishing returns: the effect of decreasing supplies and increased extraction costs of natural resources (of which Peak Oil is only one example).¹⁶³ Henry George observed over a century ago that, as the increased productivity of labor from technological advancement led to increased social wealth, an ever larger share of the total social product would be eaten up by the sinkhole of rent to landlords, because increased personal income would simply increase the amount individuals would be prepared to bid for the virtually inelastic supply of land. Indeed, the overall measure of social wealth might be inflated by the rising rent component of GDP. Similarly, an ever-larger overall portion of the GDP today is taken up not only by land-rent, but by the rising costs of progressively depleted resources.

In general, the overall cost of infrastructure, support, and administration rise faster than the GDP, until further economic growth produces negative returns. According to Illich, "...beyond a certain level of per capita GNP, the cost of social control must rise faster than the total output and become the major institutional activity within an economy."¹⁶⁴ Or as Hazel Henderson described her "Entropy State": "...the stage when complexity and independence have reached the point where the transaction costs that re generated equal or exceed the society's productive capabilities."¹⁶⁵

Because advanced industrial societies develop such unmanageable complexity, they naturally generate a bewildering increase in unanticipated social costs: in human maladjustment, community disruption, and environmental depletion.... The cost of cleaning up the mess and caring for the human casualties... mounts ever higher. The proportion of the GNP that must be spent in mediating conflicts, controlling crime, protecting consumers and the environment, providing ever-more comprehensive bureaucratic coordination... begins to grow exponentially....¹⁶⁶

Externalities--costs of production and consumption not factored into prices--also increase, as "individuals, firms and institutions simply attempt to 'externalize' costs from their own balance sheets and push them onto each other or, around the system, onto the environment or future generations."¹⁶⁷ (and they continue to increase exponentially *because* they are not factored into prices).

¹⁶² Kirkpatrick Sale, *Human Scale*, p. 229; Barry Commoner, "Energy and Rural People: Address before the National Conference on Rural America, Washington, D.C., April 17, 1975," in *Center for the Biology of Natural Systems* (St. Louis: Washington University, 1975), p. 11, in L.S. Stavrianos, *The Promise of the Coming Dark Age* (San Francisco: W.H. Freeman and Company, 1976), p. 40.

¹⁶³ Henderson, "The Great Economic Transition, 6, pp. 126-27.

¹⁶⁴ Illich, *Energy and Equity*, p. 3.

¹⁶⁵ Hazel Henderson, "The Entropy State," 6, pp. 83-84.

¹⁶⁶ *Ibid*, pp. 84-85

¹⁶⁷ Henderson, "The Great Economic Transition," pp. 126-127; "Inflation: The Viewpoint from Beyond Economics," 6, p. 138.

Leopold Kohr made a similar observation about the tendency of secondary costs to increase geometrically with increased political and economic scale, as actual consumption goods increased only arithmetically:

...[W]e must distinguish between two general categories of goods: *social* and *personal* consumer goods. Social consumer goods--goods consumed by society to maintain its political and economic apparatus...--may... be largely discounted... since they measure not personal but social standards. In addition, being largely paid for by taxes, they are so clearly identifiable as not the fruit but the cost of existence that there is no danger of having their greater availability confused with greater welfare. Nevertheless they are indirectly of significance since their seemingly geometric rise with every arithmetic increase in the size of a state is responsible for the declining proportion of increasing output that can be diverted into personal channels.... Their hallmark is that their production does not improve the status of the individuals producing them.

One telling example cited by Kohr: of the "much advertised" \$25 billion increase in GNP, \$18 billion (or 72%) of it was taken up by such support and administrative costs.¹⁶⁸ (See also his earlier cited example of the skyscraper, in which the portion of each floor taken up by ducts and elevator shafts increases with each added story, until increased height finally results in *reduced* total floor space).

Another useful idea that parallels Kohr's analysis is Kenneth Boulding's "non-proportional change" principle of structural development:

As any structure grows, the proportions of the parts and of its significant variables *cannot* remain constant.... This is because a uniform increase in the linear dimensions of a structure will increase all its areas as the square, and its volume as the cube, of the increase in the linear dimension....¹⁶⁹

It follows, as a corollary, that

the size of the structure itself is limited by its ultimate inability to compensate for the non-proportional changes. This is the basic principle which underlies the "law of eventually diminishing returns to scale" familiar to economists. Thus as institutions grow they have to maintain larger and larger specialized administrative structures in order to overcome the increasing difficulties of communication between the "edges" or outside surfaces of the organization... and the central executive. Eventually the cost of these administrative structures begins to outweigh any of the other possible benefits of large scale, such as increasing specialization of the more directly

¹⁶⁸ Leopold Kohr, Source?, pp. 36-37.

¹⁶⁹ Kenneth Boulding, *Beyond Economics* (Ann Arbor: University of Michigan Press, 1968), p. 75.

productive parts of the organization, and these structural limitations bring the growth of the organization to an end. One can visualize, for instance, a university of a hundred thousand students in which the entire organization is made up of administrators, leaving no room at all for faculty.

....[T]he critical problem of large-scale organization is that of the communications system.... This being a "linear" function tends to become inadequate relative to the "surface" functions of interaction as the organization grows.¹⁷⁰

In every case, the basic rule is that, whenever the economy deviates from market price as an allocating principle, it deviates to that extent from rationality. In a long series of indices, the state capitalist economy uses resources or factors much more intensively than would be possible if large corporations were paying the cost themselves. The economy is much more transportation-intensive than a free market could support, as we have seen. It is likewise more capital-intensive, and more intensively dependent on scientific-technical labor, than would be economical if all costs were borne by the beneficiaries. The economy is far more centralized, capital intensive, and high-tech than it would otherwise be. Had large corporate firms paid for these inputs themselves, they would have reached the point of zero marginal utility from additional inputs much earlier.

At the same time as the demand for state economic inputs increases, state capitalism also produces all kinds of social pathologies that require "social expenditures" to contain or correct. By subsidizing the most capital-intensive forms of production, it promotes unemployment and the growth of an underclass. But just as important, it undermines the very social structures--family, church, neighborhood, etc.--on which it depends for the reproduction of a healthy social order.

As mentioned above in the main body of the chapter, the corporate economy integrates formerly autonomous spheres of civil society, like the informal and household economies, into itself. But by atomizing them, it undermines the conditions of its own existence. Under state capitalism, the state is driven into ever new realms in order to stabilize the corporate system. State intervention in the process of reproducing human capital (i.e., public education and tax-supported vocational-technical education), and state aid to forms of economic centralization that atomize society, result in the destruction of civil society and the replacement by direct state intervention of activities previously carried out by autonomous institutions. The destruction of civil society, in turn, leads to still further state intervention to deal with the resulting social pathologies.

Lewis Mumford, for example, described the dependence of the "megamachine" on the socializing functions of precapitalist institutions:

[A]n... important factor in protecting the power system from internal assault was

¹⁷⁰ Ibid., pp. 76-77.

the presence of many surviving historic institutions whose customs and folkways and active beliefs supplied an essential structure of values....

With the erosion of this traditional heritage, megatechnics lost a social ingredient essential for its full working efficiency: self-respect, loyalty to a common moral code, a readiness to sacrifice immediate rewards to a more desirable future. As long as this basic morality... remained "second nature" in the community, the power complex had a stability and continuity that it no longer possesses. This means... that in order to remain in effective operation, the dominant minority must, as in Soviet Russia and China, resort to the same system of ruthless coercion their predecessors established back in the Fourth Millennium B.C. Otherwise, in order to ensure obedience and subdue counter-aggression, they must use more "scientific" modes of control....¹⁷¹

Some useful commentary on this latter phenomenon includes C.S. Lewis (*The Abolition of Man*), and Huxley's *Brave New World*. Neoconservatism is an alternative approach to the same general problem, attempting to put new wine in old bottles by artificially reengineering "traditional social mores" through the state.

Immanuel Wallerstein, likewise, pointed to the role of the non-monetized informal and household sectors of the economy in reproducing human labor power. If those precapitalist institutions disappeared and their functions could only be procured in the cash economy, the level of subsistence income would rise considerably. A good example is the predominance of the nuclear family with two wage-earners, in which the services previously supplied by a full-time mother, or by a grandmother or aunt, must be hired from a babysitter or daycare center.

The state capitalist system thus demands ever greater state inputs in the form of subsidies to accumulation, and ever greater intervention to contain the ill social effects of state capitalism. Coupled with political pressures to restrain the growth of taxation, these demands lead to (as O'Connor's title indicates) a "fiscal crisis of the state," or "a tendency for state expenditures to increase faster than the means of financing them."¹⁷² The "structural gap' ...between state expenditures and state revenue" is met by chronic deficit finance, with the inevitable inflationary results. Under state capitalism "crisis tendencies shift, of course, from the economic into the administrative system..." This displaced crisis is expressed through "inflation and a permanent crisis in public finance."¹⁷³

The problem is intensified by the disproportionate financing of State expenditures by taxes on the competitive sector (including the taxes on the monopoly capital sector which are passed on to the competitive sector), and the promotion of monopoly capital profits at the expense of the competitive sector. This depression of the competitive sector

¹⁷¹ Lewis Mumford, *The Pentagon of Power*

¹⁷² O'Connor, *Fiscal Crisis of the State*, p. 9.

¹⁷³ Jürgen Habermas, *Legitimation Crisis*. Trans. by Thomas McCarthy (United Kingdom: Polity Press, 1973, 1976) 61, 68.

simultaneously reduces its purchasing power and its strength as a tax base, and exacerbates the crises of both state finance and demand shortfall.

Most importantly, the crises are not isolated; they are systemic and interlocking; they all result from the same structural problems of state capitalism (i.e., subsidized inputs), and they develop exponentially, as subsidized inputs generate demand for more inputs faster than they can be met.

Now it can be fairly objected here that every age has had its crises....

But that lesson from the past disguises one important fact of the present: our crises proceed, like the very growth of our system, *exponentially*....

The crises of the present... have grown so large, so interlocked, so exponential, that they threaten unlike that ever known. [check original wording] It has come to the point where we cannot solve one problem, or try to, without causing some other problem, or a score of problems, usually unanticipated.¹⁷⁴

As much as many modern Misesians would disassociate themselves from such an analysis (a good many, George Reisman chief among them, congregate at Mises.Org), most of it was implied by Mises himself in *Interventionist Government*.

The cumulative effect of all these interlocking crises, as already stated, will be that the system eventually reaches a breaking point, when the chickens of rationality come home to roost, and the state can no longer subsidize sufficient inputs for the hypertrophied corporate economy to operate at a profit.

Another emerging fact of complex societies is the newly perceived vulnerability of their massive, centralized technologies and institutions, whether manifested in the loss of corporate flexibility, urban decline, power blackouts, skyjacking, or the many frightening scenarios of sabotage and violence now occurring daily.

Meanwhile expectations are continually inflated by business and government leaders, and it becomes more difficult to satisfy demands of private mass consumption while trying to meet demands for more and better public consumption, whether for housing, mass transit, health, education, welfare benefits, parks and beaches, or merely to keep the water potable and the air breathable.¹⁷⁵

Appendix 4a

Journalism as Stenography

¹⁷⁴ Sale, *Human Scale*, pp. 25-26.

¹⁷⁵ Henderson, "The Entropy State," pp. 84-85.

1. According to Scott Cutlip of the University of Georgia, some 40% of the "news" in newspapers consists of material generated by press agencies and PR departments, copied almost word for word by "objective" professional journalists.¹⁷⁶

2. Justin Lewis:

The norms of "objective reporting" thus involve presenting "both sides" of an issue with very little in the way of independent forms of verification... [A] journalist who systematically attempts to verify facts--to say which set of facts is more accurate--runs the risk of being accused of abandoning their objectivity by favoring one side over another....

....[J]ournalists who try to be faithful to an objective model of reporting are simultaneously distancing themselves from the notion of independently verifiable truth....

The "two sides" model of journalistic objectivity makes news reporting a great deal easier since it requires no recourse to a factual realm. There are no facts to check, no archives of unspoken information to sort through.... If Tweedledum fails to challenge a point made by Tweedledee, the point remains unchallenged.¹⁷⁷

3. Sam Smith:

...I find myself increasingly covering Washington's most ignored beat: the written word. The culture of deceit is primarily an oral one. The soundbite, the spin, and the political product placement depend on no one spending too much time on the matter under consideration.

Over and over again, however, I find that the real story still lies barely hidden and may be reached by nothing more complicated than turning the page, checking the small type in the appendix, charging into the typographical jungle beyond the executive summary, doing a Web search, and, for the bravest, actually looking at the figures on the charts.¹⁷⁸

4. Harry Jaffe:

In his more than two decades covering the military, Ricks has developed many sources, from brass to grunts. This, according to the current Pentagon, is a problem.

The Pentagon's letter of complaint to Post executive editor Leonard Downie had language charging that Ricks casts his net as widely as possible and e-mails many people.

Details of the complaints were hard to come by. One Pentagon official said in private that Ricks did not give enough credence to official, on-the-record comments that ran counter to

¹⁷⁶ Cited by Lasch in *The Revolt of the Elites*, p. 174.

¹⁷⁷ Justin Lewis, "Objectivity and the Limits of Press Freedom," *Project Censored Yearbook 2000*. pp. 173-74.

¹⁷⁸ Sam Smith, *Project Censored Yearbook 2000*, p. 60.

the angle of his stories.¹⁷⁹

5. *The Daily Show*:

STEWART: Here's what puzzles me most, Rob. John Kerry's record in Vietnam is pretty much right there in the official records of the US military, and haven't been disputed for 35 years?

CORDDRY: That's right, Jon, and that's certainly the spin you'll be hearing coming from the Kerry campaign over the next few days.

STEWART: Th-that's not a spin thing, that's a fact. That's established.

CORDDRY: Exactly, Jon, and that established, incontrovertible fact is one side of the story.

STEWART: But that should be -- isn't that the end of the story? I mean, you've seen the records, haven't you? What's your opinion?

CORDDRY: I'm sorry, my *opinion*? No, I don't have 'o-pin-i-ons'. I'm a reporter, Jon, and my job is to spend half the time repeating what one side says, and half the time repeating the other. Little thing called 'objectivity' -- might wanna look it up some day.

STEWART: Doesn't objectivity mean objectively weighing the evidence, and calling out what's credible and what isn't?

CORDDRY: Whoa-ho! Well, well, well -- sounds like someone wants the media to act as a filter! [high-pitched, effeminate] 'Ooh, this allegation is spurious! Upon investigation this claim lacks any basis in reality! Mmm, mmm, mmm.' Listen buddy: not my job to stand between the people talking to me and the people listening to me.¹⁸⁰

6. Brent Cunningham:

It exacerbates our tendency to rely on official sources, which is the easiest, quickest way to get both the "he said" and the "she said," and, thus, "balance." According to numbers from the media analyst Andrew Tyndall, of the 414 stories on Iraq broadcast on NBC, ABC, and CBS from last September to February, all but thirty-four originated at the White House, Pentagon, and State Department. So we end up with too much of the "official" truth.

More important, objectivity makes us wary of seeming to argue with the president -- or the governor, or the CEO -- and risk losing our access....

¹⁷⁹ Harry Jaffe, "Pentagon to Washington Post Reporter Ricks: Get Lost," *The Washingtonian*, December 29, 2003. <http://washingtonian.com/inwashington/buzz/tomricks.html>

¹⁸⁰ Eschaton blog, August 22, 2004 <http://atrios.blogspot.com/2004_08_22_atrios_archive.html#109335851226026749>.

The Republicans were saying only what was convenient, thus the "he said." The Democratic leadership was saying little, so there was no "she said." "Journalists are never going to fill the vacuum left by a weak political opposition," says The New York Times's Steven R. Weisman.¹⁸¹

7. Avedon Carol:

Hm, let's see... I can go to whitehouse.gov and read everything administration officials have to say on the record, or I can spend money to buy a newspaper and read a repetition of selected quotes from that said material. What should I do?

If that's all newspapers are good for, what are newspapers good for?¹⁸²

¹⁸¹ Brent Cunningham, "Rethinking Objective Journalism Columbia Journalism Review." *Alternet*, July 9, 2003 <<http://www.alternet.org/mediaculture/16348/>>.

¹⁸² Avedon Carol, "Pilloried Post," August 12, 2004 <http://slacktivist.typepad.com/slacktivist/2004/08/pilloried_post.html>.