

KEVIN CARSON AND THE FREED MARKET: IS HIS LEFT-LIBERTARIAN VISION PLAUSIBLE?

TATE FEGLEY*

THE “FREE MARKET ANTICAPITALIST” strand of left-libertarianism has received growing attention in recent years. Compared to other branches of libertarian thought, free market anticapitalists place greater emphasis on the pervasiveness of government privileges for big business and the effect this has on the structure of the market, support a larger role for class analysis, and argue that a truly free market would look radically different from currently prevailing Western economic systems (Richman, 2011). They argue that firms in a free market would be “smaller, flatter, more-crowded” (Long, 2008), and characterized by drastically less hierarchy and “boss-ism” and more individual autonomy in the workplace. For many, this is an attractive vision of what a free market might entail, but there is much contention among free market economists regarding the plausibility of these kinds of left-libertarian critiques of the status quo (Klein, 2008a, 2008b; Caplan, 2008; Horwitz, 2012).

One of the most prominent writers in the left-libertarian tradition is Kevin A. Carson, author of *Studies in Mutualist Political Economy* (2006), *Organization Theory: A Libertarian Perspective* (2008), and *The Homebrew Industrial Revolution: A Low-Overhead Manifesto* (2010). Carson argues that economies of scale are overestimated and that, for the most part, large industrial organizations are creatures of the state and not of free markets. Most large-scale production, despite unit-cost savings, is actually more expensive than

*Tate Fegley is a PhD student in economics at George Mason University.

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small-scale production for a local market because small-scale production lacks the distribution costs of large-scale production. In addition, the potential of small-scale production to supply a growing share of our needs is revolutionary because of the increasing affordability and sophistication of tools such as 3D printers. Eventually, we will be able to supply much of our own consumption needs through home production and local barter networks without having to sacrifice our standard of living.

The purpose of this paper is to critically analyze the major themes and claims of *The Homebrew Industrial Revolution*, a book that provides an in-depth exposition of Carson's left-libertarian vision¹ of the nature of the economic status quo, his vision of what a true free market would entail, and the underlying economic theory supporting each of these views. It is my hope that this paper will contribute to answering the question of how plausible Carson's left-libertarian vision is, and as such will also contribute to libertarian thought more generally. The paper is organized as follows: a brief summary of the narrative of *The Homebrew Industrial Revolution* is followed by my criticisms of major points of its thesis.

I. A Short Summary of Carson's Narrative

Kevin Carson's *The Homebrew Industrial Revolution: A Low-Overhead Manifesto* presents a revisionist narrative of Western industrialization in which he argues that the preindustrial skilled artisan should have been only temporarily removed from his home workshop due to the greater productive capacity of the steam-powered factory. The migration from agricultural and artisan production in the countryside to wage employment in the cities should have been only a brief historical aberration. If not for state intervention, the invention of the electric motor—which made congregation of workers in a factory to economize on steam power unnecessary—would have resulted in artisans returning to their workshops and engaging in mechanized craft production. Indeed, “the state played a central role in the triumph of mass-production industry in the United States” (p. 14).

The state's most important intervention in this regard was its subsidies to long-distance transportation, particularly the railroads, in the form of pure land grants, eminent domain, provision of government bonds, and revisions of tort law (such as limiting the liability for property damage caused by

¹ I emphasize that this paper focuses exclusively on arguments offered by Carson, and thus on his particular brand of left-libertarianism, which can be distinguished from other brands (see Richman, 2011).

railroads). The state has subsidized other “centralizing infrastructure projects,” such as the national highway and civil-aviation systems, but they were more important as “sinks for surplus capital and output” (p. 19). Other important interventions that created greater concentration of resources in large firms include general federal commercial law, general incorporation laws, limited liability, and intellectual property laws. According to Carson:

In the absence of these necessary preconditions, there simply would not have been a single national market or large industrial corporations serving it... [T]he introduction of electrical machinery would likely have followed its natural course and lived up to its unique potential: powered machinery would have been incorporated into small-scale production for local markets, and the national economy would have developed as “a hundred Emilia-Romagnas.” (p. 23)²

However, these factors only led to the rise of large-scale mass production—they were not sufficient to sustain it. For example, even with the large government favors granted to certain railroad companies, and attempts to cartelize the industry, competitive pressures caused rates to fall (Kolko, 1965). The state needed to intervene to protect favored large corporations from market competition and to sustain demand for its output, which in turn allowed these companies to engage in inefficient practices that would not have existed in a free market. Rather than being a movement to rein in the excesses of big business, the Progressive Era represented largely the agenda of big business to use the power of the state to regulate competition and establish trusts.

In addition to managing competition, big business manages the consumer through “push distribution, high-pressure marketing, planned obsolescence, and consumer credit” (p. 44), ensuring that consumers continue to purchase their products. As well, the state acts to guarantee other sources of demand for industrial surplus. It opens foreign markets by force to increase the size of the market for mass-produced goods and to gain access to resources at favorable rates. The state is also a direct consumer of industrial output “through Keynesian fiscal policy, massive highway and civil aviation programs, the military-industrial complex, the prison-industrial complex, foreign aid, and so forth” (p. 53). The state’s rising share of GDP, according to Baran and Sweezy (1966), can be considered a proxy for measuring the state’s role in consuming excess output. Furthermore, the state protects large businesses from smaller competitors by requiring artificially

² Emilia-Romagna is a region in northern Italy that Carson frequently uses as an example of an area largely characterized by small-scale production.

high overhead and creating other barriers to entry, such as zoning laws, building codes, occupational licensure, health and safety codes, and intellectual property laws.

However, this state of affairs is unsustainable. In Carson's view, "Babylon is fallen" and the days of "monopoly capitalism" are numbered due to peak oil (making the transportation that mass production requires unaffordable), government fiscal crisis, and, most importantly, the implosion of the cost of obtaining modular capital goods, such as 3D printers. As gains in productivity are realized through increased leisure rather than the increased consumption of goods and services, the danger arises of mass underemployment and unemployment. Fortunately, individuals will be able to obtain inexpensive capital goods and produce for their own consumption (and for local barter) and not have to depend on wage labor for their sustenance:

The hope—my hope—is that these increasing levels of underemployment and unemployment will be offset by increased ease of meeting subsistence needs outside the official economy, by the imploding cost of goods manufactured in the informal sector, and by the rise of barter networks as the means of providing an increasing share of consumption needs by direct production for exchange between producers in the informal sector. As larger and larger shares of total production disappear as sources of conventional wage employment, and cease to show up in the GDP figures, the number of hours it's necessary to work to meet needs outside the informal sector will also steadily decline, and the remaining levels of part-time employment of a majority of the population will be sufficient to maintain a positive real material standard of living. (p. 99)

II. Issues with Carson's Narrative

The remainder of this essay addresses some of the major topics in *The Homebrew Industrial Revolution* regarding the historical development of the structure of production in the United States and the question of how truly free markets would operate compared to currently existing unfree markets. These topics include transportation costs, specialization and gains from trade, advertising and marketing, planned obsolescence, entrepreneurship and capital theory, and "the problem of abundance."

Transportation Costs

A primary thesis of *The Homebrew Industrial Revolution* is that the cost savings of mass production in the form of a lower unit price are outweighed

by greater distribution costs (p. 15). That is, capital-intensive, large-scale production requires large batches of output in order to generate enough revenue to earn a positive return on the capital invested. This large amount of output is more than what can be profitably sold in a local market; therefore, it must be sold on a regional, national, or even international scale. This increases the costs of distribution, particularly transportation and advertising costs. However, firms do not fully bear these costs themselves. The construction of the intercontinental railroads in the United States were heavily financed by the federal government, as were the national highway and civil-aviation systems, and their maintenance continues to be backed by the state.³ In addition, the state historically provided the communications infrastructure (by way of the telegraph) that helped facilitate mass distribution. The most important of these factors in centralizing production was government subsidization of railroad companies, which Carson claims “almost single-handedly creat[ed] the artificially unified and cheap national market without which national manufacturers could not have existed” (p. 18). Therefore, argues Carson,

the so-called “internal economies of scale” in manufacturing could come about only when the offsetting external diseconomies of long-distance distribution were artificially nullified by corporate welfare. Such “economies” can only occur given an artificial set of circumstances which permit the reduced unit costs of expensive, product-specific machinery to be considered in isolation, because the indirect costs entailed are all externalized on society. (p. 15–16)

He continues: “And if the real costs of long-distance shipping, high-pressure marketing, etc., do in fact exceed the savings from faster and more specialized machinery, then the ‘efficiency’ is a false one” (p. 16). This statement is true, but there are the questions to be asked regarding whether these distribution costs are in fact greater than the savings from capital-intensive production and whether the state’s support of railroads did, in fact, tip the balance toward large-scale production.

To what extent did government subsidies reduce shipping prices? According to Carson, the distribution costs of mass-produced goods outweigh the per-unit manufacturing savings as compared to goods produced at a small scale, and railroads were subsidized to such an extent as to reduce

³ Though some consider gas taxes to be similar to a user fee for highways, Carson argues that “virtually 100% of the roadbed damage to highways is caused by heavy trucks” (2010, p. 55), and thus gas taxes paid by users of passenger vehicles effectively subsidize long-distance trucking.

the transportation prices charged to manufacturers such that they could bring goods to market at a lower price than small-scale producers. To show this is the case, it would be helpful to have numbers on the costs of small-scale production compared to large-scale production, their relative costs of distribution, and transportation prices charged by unsubsidized railroads compared to those charged by subsidized railroads. One could then show how the effects of subsidies on transportation costs were large enough to offset the otherwise higher costs of mass production. Unfortunately, Carson provides no data to show this is the case.

There are reasons, however, to doubt that railroad subsidies made such a large difference in transportation prices. Private companies without subsidies built railroads at a much lower cost and, lacking the incentive to build rapidly in order to obtain subsidies, built more-direct routes with higher-quality materials so they would not have to rebuild much of their lines, as the Union Pacific and Central Pacific did (Folsom, 1987). James J. Hill, owner of the Great Northern, which was built without a subsidy (Martin, 1976), recognized that the success of his railroad depended on the success of the shippers he served, and he therefore cut costs in order to provide them with affordable rates. (For Carson, though, lower shipping rates are a bad thing. He cites Piore and Sabel's [1984] contention that the railroads' practice of providing rebates to their largest customers "was a central factor in the rise of the large corporation" [Carson, 2010, p. 18].) Furthermore, James J. Hill "gloried in the role of rate-slasher and disrupter of [price-fixing] pooling agreements" (Folsom, 1987, p. 99), whereas the owners of subsidized railroads lobbied for government-enforced cartels when their own voluntary price-fixing agreements failed. Further evidence casts doubt on the notion that railroad subsidies had such a profound effect on manufacturing. Transportation economist Randal O'Toole (2015) notes,

In total, out of 260,000 rail miles in this country, less than 19,000 were subsidized. Moreover, for many decades Congress required that the railroads give the Post Office and other federal agencies discounted rates to recover those subsidies. The subsidized lines almost all went bankrupt at one point or another, indicating they didn't really contribute much to the national economy for many years after they were built. The real growth of mass production was in the Northeast and Midwest, where railroad subsidies were small to non-existent.

Economic historian Robert Fogel (1964), in his *Railroads and American Economic Growth: Essays in Econometric History*, concluded that the impact of railroads on the American economy was generally overstated, estimating that their contribution to the economy in terms of lower shipping costs amounted to about 2 percent of GNP. Furthermore, Thies (2002) performed an

econometric study comparing states that amended their constitutions to limit the ability of their governments to support railroad companies with states that went into debt to support railroads. He found that the former group developed their rail networks to a much greater extent than the latter. Ultimately then, Carson fails to give us much reason to believe that transportation subsidies radically altered the structure of production.

Specialization and Gains from Trade

In addition to overstating the role of subsidies in lowering transportation costs, Carson downplays productivity gains from trade and the division of labor:

The allegedly superior efficiencies of mechanized large-scale agriculture are to a large extent a myth perpetuated in the propaganda of corporate agribusiness and the USDA... [W]hile large scale production may be more efficient in terms of labor inputs at the point of production, it is probably less efficient in labor terms when the wages required to pay the embedded costs of supply-push marketing and distribution are included. Although it may take more labor for me to grow a tomato than it takes a factory farm to grow it, it probably takes less labor for me to grow it myself than to pay for the costs of shipping and marketing it in addition to factory farming it... Likewise, it's quite plausible that it would cost a decent home seamstress more in total labor time to earn the money to buy clothing even from a totally automated textile mill... than to make them herself. (p. 162)

In the case of procuring tomatoes, the implication of Carson's argument is that the most productive use of his labor is to grow tomatoes. If it were not, it would necessarily be less costly for him to sell his labor in the market and purchase tomatoes rather than to grow them himself. Furthermore, if it takes him less labor to produce tomatoes than to exchange his labor for wages and buy tomatoes, his greater efficiency cannot simultaneously be the case for all other goods, as this would violate the law of comparative advantage. Even if Carson is particularly efficient at growing a number of vegetables, he cannot have the lowest opportunity cost in producing for all of his wants. Thus, there is a tight limit to how many goods Carson can produce at a lower cost than the one he would pay by engaging in trade with others.

Regarding the case of the “seamstress,” I consulted a professional sewist⁴ who exchanges her services in the form of sewing lessons, alterations, custom sewing, and dressmaking. When presented with Carson’s argument, she replied that the accuracy of his statement that sewing for oneself is less costly depends on the quality of clothing in question and whether one takes shopping time into account. Since she is 5’2” (and petite clothing is designed for women who are 5’4”) and stockier than the typical mannequin, ready-to-wear clothing does not fit her properly without alteration. It takes less time for her to sew a dress of ready-to-wear quality than to shop for a dress and alter it. However, even at the highest-end store at a mall, the price of buying fabric to make a garment is about the same as buying the finished article of clothing. She would still have to alter the store-bought garment, but this would take less labor than creating it from scratch (however, search costs for finding an acceptable garment may tip the balance toward making the store-bought garment more costly). It is only with bespoke or couture garments that she definitely saves by making the clothing herself (McCormick, 2015).

The characteristics of this sewist could not be more favorable to confirming Carson’s assertion: this is not a “decent home seamstress” but a world-class couture sewist who is also exceptionally quick. Mass-produced clothing does not fit her, thus increasing her costs of finding suitable clothing in a store (she is also a self-professed “fabric snob,” which increases her search costs). Despite all of this, it is only in the case of couture, handmade clothing (clothing that requires skills a typical home sewist does not have) that it is unquestionably less costly for her to make clothing herself. Thus, rather than being evidence against productivity gains from specialization and division of labor, Carson’s example shows how even someone with a great amount of skill in producing a certain good can still gain from trading to acquire that good with different qualities.

Throughout his book Carson implicitly underestimates productivity gains from trade and specialization. Indeed, he believes that the division of labor in a free market would not be extensive at all, as shown by passages where he advocates “a shift of consumption wherever feasible, from the purchase of store goods with wage income, to... production for barter” (p. 169), and claims that such an arrangement would result in a higher standard of living. Carson has to rely on government intervention as an explanation for large-scale production and long-distance trade: that is, if a free market would heavily consist of informal production and local barter, then it can

⁴ The preferred term in the industry is “sewist” since “seamstress” is considered outdated and gender specific.

only be government intervention that would extend the division of labor to the degree we observe today. Carson seems to ignore the fact that specialization and the division of labor economize on capital. Thus, we should expect that a freed market would encourage the division of labor to a greater extent than we see in currently existing, unfree markets.

In addition, it is curious that Carson writes much about government interventions that allegedly decrease the cost of engaging in trade relative to home production, but spends almost no time writing about government interventions that make trade more expensive. High tax rates on income, investment, and trade might have a more substantial effect against long-distance trade (and trade of any kind) than transportation subsidies have in favor of it.

High-Pressure Marketing

Carson argues that mass-production industry “manag[es] the consumer... through push distribution, high-pressure marketing, planned obsolescence, and consumer credit” (p. 44). Interestingly, Carson appears to take a rather conventional neoclassical view regarding advertising and branding: for him, they are not characteristics of competition, but of monopoly. Writes Carson: “The costs of advertising, packaging, brand differentiation, etc., are all costs of overcoming sales resistance that only exist because production is divorced from demand rather than driven by it” (p. 48). Assuming a world in which we have perfect information, such a characterization might make sense. However, we are not perfectly informed, and advertising and branding contain information. Carson seems to believe that for the business owner in a free market, “if you build it, they will come.” Marketing would be largely irrelevant in Carson’s freed market: “For those whose low overhead permits them to produce in response to consumer demand, marketing is relatively cheap. Rather than expending enormous effort to make people buy their product, they can just fill the orders that come in” (p. 48). Of course, this assumes that customers of the low-overhead producer are aware of the producer’s existence and her prices relative to competitors. But what if an even lower-cost producer enters the market? Will the orders just come in? Customers will have to expend effort in gathering information about changes in the market. By advertising, however, producers can lower the cost to consumers of obtaining information (Ekelund & Saurman, 1988). Furthermore, prohibitions on advertising can lead to higher consumer prices (Benham, 1972). Thus, advertising should be seen as a feature of competition, not evidence for the lack thereof.

Furthermore, Carson appears to believe that consumer preferences are something we are simply born with, or are somehow innate, implying that advertising does not make us aware of opportunities to increase our satisfaction, but rather makes us feel a greater sense of urgency to buy frivolous goods. Galbraith (1958) called this “the dependence effect,” whereby

if the individual’s wants are urgent, they must be original with himself. They cannot be urgent if they must be contrived for him... One cannot defend production as satisfying wants if that production creates the wants... The even more direct link between production and wants is provided by the institutions of modern advertising and salesmanship.

Therefore, according to this view, advertising is a waste, a distraction from producing goods that satisfy true needs. Hayek (1961) demonstrated that this argument is a non sequitur: just because a want develops within some cultural context and would not have developed if one were to live in complete isolation does not mean that it is unimportant. To argue that such a want is unimportant would be to argue that artifacts of culture such as literature, theater, paintings, or music are unimportant. Clearly, our lives are made better by consumer goods of which we could never have conceived unless they were first presented to us. As Rothbard puts it,

the Galbraithian view of the business and marketing system makes little or no sense. Rather than go to the expensive, uncertain, and, at bottom, needless, task of trying to find a new want for consumers, business will tend to satisfy those wants that consumers already have, or that they are pretty sure consumers would have if the product were available. Advertising is then used as a means of (a) conveying information to the consumers that the product is now available and telling them what the product will do; and (b) specifically, trying to convince the consumers that this product will satisfy their given want. (1962, pp. 979–80)

This criticism applies just as well to Carson, who describes “mass production industry” as striving to guarantee consumption of its output, yet still choosing to produce goods that it then needs to create a desire for.

Similarly, Carson sees branding as an unnecessary device by which producers are able to convince consumers to pay “about four times as much for trademarked flour, sugar, etc., as he had paid for bulk goods” (p. 47). How can this be? With Carson’s above-described implied view of consumers being well informed (and thus being mindful of the stipulated fact that branded food commodities are of the same quality as generic food

commodities sold in bulk), why would they choose to pay so much more for a brand name? Carson is aware of this objection and writes,

Right-wing libertarians like Murray Rothbard answer critiques of mass advertising by saying they downplay the role of the audience as an active moral agent in deciding what to accept and what to reject, and fail to recognize that information has a cost and that there's such a thing as "rational ignorance." Interestingly, however, many of Rothbard's followers at Mises.Org and Lew Rockwell.Com show no hesitancy whatsoever in attributing a cumulative sleeper effect to statist propaganda in the public schools and state-allied media. No doubt they would argue that, in the latter case, both the volume and the content of the propaganda are artificially directed in the direction of a certain message, thus artificially raising the cost of defending against the propaganda message. But that is exactly my point concerning mass advertising. (p. 45)

In other words, Rothbard believes that people are zombies, so Carson can claim they are too. There is, however, an explanation that can reconcile the view of the consumer as an active moral agent and the apparent "sleeper effect" of government propaganda. As Carson notes, obtaining information is costly and there is such a thing as rational ignorance—that is, if the cost of gathering information is greater than the expected benefit to be gained from having that information, then it is rational to remain ignorant. It is far more often the case that information about consumer goods is of more direct benefit than information contrary to government propaganda since people have far more autonomy about what they can buy or refrain from buying in the marketplace than they do when it comes to governmental decision-making. If I am in the market for blenders, having information about their attributes and prices is helpful for making a purchasing decision; in comparison, no matter how much I know about a certain piece of proposed legislation, it is extremely unlikely that I will be able to affect whether it is passed. Therefore, it should come as no surprise that a large number of people choose not to go to the trouble of acquiring political information that is of little direct use to them.

Another way in which a state's propaganda is fundamentally different from businesses' advertising of their products is that the state has a strong, entrenched monopoly in the services it provides. Unlike competing businesses, it has little need to demonstrate to "consumers" why its services are better than competitors' or even acknowledge that alternatives to its services exist. Even the competition between political parties through product differentiation is largely overstated: both major parties in the US have an interest in maintaining the status quo or increasing the power of government further. Furthermore, since the government is not an institution

concerned with maximizing profits and has the power to tax, it can engage in propaganda to an extent that no other single institution can.

However, the question of why people would choose to buy brand-name food commodities when they are more expensive remains. A major part of the reason is that Carson is incorrect in assuming that brand-name goods provide no benefit to consumers over generic goods such that consumers would still be willing to pay more for them in a free market. Desrochers and Shimizu (2012) note that “through the development of brands for mass-produced commodities and products (brand-name reputations for luxury products go back at least to Antiquity), consumers were able to economize on the time that would have otherwise been required to establish the trustworthiness of multiple suppliers” (p. 46), and that “as the author of the 1911 *Encyclopedia Britannica* entry on ‘adulteration’ observed, the practice was ‘as old as commerce itself’” (p. 47). Branding and reputation provide information about a product that helps consumers avoid adulteration and other quality issues, and is therefore something for which customers are willing to pay a premium. If there actually is no difference in perceived quality between a generic and a brand-name product but there is a large price difference, then a profit opportunity exists in informing consumers of this—through advertising, ironically.⁵

Planned Obsolescence

Another method by which mass-production industry controls the consumer, according to Carson, is through planned obsolescence. Planned obsolescence is the process by which producers make shoddy products when they could be making higher-quality goods; they intend for their goods to rapidly wear out and be replaced so that there will continue to be demand for their output. But how can this practice persist when there is no real monopoly? Carson writes, “In a free market, of course, firms that made stuff well would have a competitive advantage. But in our unfree market, the state’s subsidies to inefficiency cost, ‘intellectual property’ laws, and other restraints on competition insulate firms from the full competitive disadvantage of offering inferior products” (p. 26). It is true enough that favored firms are insulated from the *full* competitive disadvantage of offering inferior products (specifically, products with no compensating differentials,

⁵ Of course, certain brand-name goods may have greater subjective value to some consumers even though they may be of no higher quality in their physical attributes than other brands. Carson may find this to be silly on the part of these consumers, but he cannot call it irrational.

such as a lower price), but does this really mean they can consistently offer inferior products without consequences? Carson quotes a GM designer as claiming, “My job is to hasten obsolescence. I’ve got it down to two years; now when I get it down to one year, I’ll have a perfect score” (p. 46). Yet despite all of its privileges, GM eventually went bankrupt and was bailed out. Competition from other automakers has forced GM to make better cars if it is not to require further government bailouts. Planned obsolescence cannot be a winning strategy in the long run, even in the currently existing corporatist economy.

Carson argues that “consumer sovereignty... in which consumer demand determines what is produced, was replaced by a ‘revised sequence’ in which oligopoly corporations determine what is produced and then dispose of it by managing consumer behavior” (p. 27). But how much sovereignty do producers have? In many cases, producers offer lower-quality options because *that is what consumers want*. What if the typical oven made twenty years ago was of a higher quality than the typical oven made today? Today’s typical oven is also much cheaper and serves a somewhat different purpose. Namely, home ovens were used much more frequently twenty years ago than they are today; if I want to purchase an oven but I do not plan to use it very often, using a less expensive oven of lower quality may be a better option. This same consideration applies to a variety of consumer goods: people will buy less-expensive clothing knowing that it may wear out faster, lower-end computer hardware because even high-end equipment may soon be obsolete, and so forth. Thus, it is the consumer who chooses the effective life of a good by demonstrating their preferences in the market, not the producer, who purportedly forces the consumer to buy a lower-quality good.⁶

The Role of the Entrepreneur and Capital

One of the major gaps in Carson’s theory is its lack of any significant role for the entrepreneur. As seen above, his views on marketing suggest that in a freed market, consumer tastes and preferences will be more or less given and known by producers, and thus producers will simply produce what consumers demand. If the producers try to induce greater demand for their product through advertising, then their costs will be higher than their competitors’, and therefore they will have to offer uncompetitive, higher-priced goods. If tastes and preferences are given, there is less need for entrepreneurial foresight—but this does not imply that there is no need for it, as we will see below.

⁶I thank Mark Thornton for this point.

Carson's narrative divides production into two opposing methods: "demand-pull production, which minimizes inventory costs by producing only in response to orders"; and "mass production [which] requires supply-push distribution (guaranteeing a market before production takes place)" (p. 37). These characterizations eliminate the concept of time and further minimize the need for entrepreneurial foresight. Carson also does not address the issue of capital formation, which requires savings, time, and accurate entrepreneurial forecasting to be profitable (even for so-called low-overhead production). Even with the demand-pull method of production, an entrepreneur must have had the foresight to invest in capital goods in the first place. Investment in capital goods, unless guaranteed by the government, is never risk-free, and profitability is uncertain. Thus, Carson draws a false dichotomy between inexpensive, low-risk capital investment and capital investment that is both expensive and risky (and therefore requires government intervention to be successful). Rather, in both cases entrepreneurs face uncertainty and therefore require skilled decision-making and judgment to be successful. Furthermore, there is a competitive advantage in having a good available for customers today rather than having to go through the process of producing them only after they have been ordered. Such so-called demand-pull production may have a place in selling, say, hamburgers (but only at the point of sale—the production process for the ingredients must begin long before that), but not for selling goods like cars, which if made to order would require an inventory of already-produced parts to be assembled. To produce all individual parts only after an order has been made would clearly leave producers who hold no inventory at a large disadvantage.

Carson also appears to misunderstand capital accumulation and the structure of production. Strangely, although one of the primary causes of the "homebrew revolution"—the idea that most of our needs can be produced at home or locally—is that the cost of obtaining certain capital goods is imploding, he never explains *why* they are. Could it be that capital invested in the earlier stages of production has resulted in a greater supply of 3D printers and other later-stage capital goods? For Carson, this cannot be the case because he argues that there is "surplus capital" that has no profitable outlet. However, the concept of "surplus capital" is confused, as it implies there is somehow too much capital in the aggregate. The only sense in which there can be "too much capital" is when malinvestment occurs in certain types of capital goods, which is eventually revealed as unprofitable; it does not make sense to say that too much capital in the aggregate is produced.

Carson also offers a wrong-headed critique of Mises: "the Austrian dogma of von Mises, that the only way to raise real wages is to increase the

amount of capital invested, is shown to rely on a false assumption: the assumption that there is some necessary link between productivity and the sheer quantity of capital invested” (p. 126). Such a criticism demonstrates a gross misunderstanding of Mises, and an uncharitable one at that. Indeed, simply looking at one of Mises’s major intellectual contributions—the impossibility of economic calculation under central planning—reveals how silly this criticism is. Mises argued that if there is no private property and exchange in capital goods, there can be no prices and therefore no way to determine whether investment in certain capital goods is profitable. Clearly, Mises believed that it matters in which lines of production capital is invested. For instance, in *Human Action* he wrote,

Capital goods are intermediary steps on the way toward a definite goal. If in the course of the period of production the goal is changed, it is not always possible to use the intermediary products already available for the pursuit of the new goal. Some of the capital goods become absolutely useless, and all expenditure made in their production appears now as waste. Other capital goods can be utilized for the new project but only after having been subjected to a process of adjustment; it would have been possible to spare the costs required by this alteration if one had from the start aimed at the new goal. A third group of capital goods can be employed for the new process without any alteration; but if it had been known at the time they were produced that they would be used in the new way, it would have been possible to manufacture at smaller cost other goods which could render the same service. Finally there are also capital goods which can be employed for the new project just as well as for the original one. *It would hardly be necessary to mention these obvious facts if it were not essential to refute popular misconceptions.* (1998, pp. 499–500, emphasis added)

“Sheer quantity of capital” would not suffice for Mises in terms of increasing the marginal productivity of labor. While “capital” is homogeneous, being a value concept, it must be allocated correctly in the form of *specific heterogeneous capital goods* to increase productivity.

The “Problem” of Abundance

For Carson, the economy is nearing a point of postscarcity (and would already be past this point if it were not for artificial rents created by intellectual property and other privileges) that brings with it the danger of high rates of technological unemployment. Due to increasing automation, some jobs have been permanently eliminated. Whereas increased productivity in previous times allowed labor to be made available for use in the production of other goods, there is no longer any need for labor in other

forms of production, because “some productivity increases will be lost through ‘leakages’ in the form of increased leisure, rather than consumption of increased output of goods. That means that the demand for labor... will not grow as quickly as labor productivity” (p. 119). Thus, the “Luddite fallacy”—the idea that automation increases unemployment—is not actually a fallacy since it relies on the false assumption that “demand is infinitely, upwardly elastic, and that some of the productivity increase won’t be taken in the form of leisure” (p. 165). Therefore, the threat of technological unemployment is real. Fortunately, however, the costs of the means of production have fallen, so individuals will be able to afford these tools to produce goods for ourselves and for exchange in the local barter economy. We will be able to provide for our own needs and will not have to face the insecurity of having to depend on wage employment for our subsistence.

This narrative is mistaken: we cannot be in a state of abundance and a state of scarcity at the same time. If the economy became so productive and so automated that there was no labor demanded at any price, then why would anyone be looking for work? Carson offers this analogy: “If a Star Trek-style matter replicator can replace human labor for producing most goods, but it costs so much that only a large corporation can own it, then the threat of technological unemployment is real” (p. 160). But why is it real? If a large corporation owned this replicator, why would they need to engage in trade at all if they could produce goods to satisfy all of their ends? Trade would serve no purpose for them. Thus, the effect of such a replicator on the overall economy would either be almost nonexistent, in the case where the owners produced for themselves and chose not to trade, or increase standards of living if the owners engaged in trade or gave goods away. The only way they could adversely impact certain people would be if they selectively flooded the market with certain goods in such abundance that the value of capital used to produce those goods dropped dramatically (without doing the same for all goods generally); the owners of the capital would suffer losses (although it is hard to imagine Carson being overly concerned about them), and workers employed in the owners’ industries might have to find other jobs. This process would cause hardship for those who would be obliged to make the transition; however, preventing such a transition would reduce the general standard of living. Even if the owners of the replicator patented it, they could still only engage in voluntary transactions that made consumers better off. If they engaged in mass production of all consumer goods and displaced all workers, then there would not be any reason to work because all goods would be available in superabundance. Ultimately, Carson cannot argue both that these individuals would not be able to find other jobs because the lack of

scarcity would eliminate the demand for labor *and* that there would actually be people seeking employment.⁷

A further problem is that Carson seems to have a confused view of what leisure actually is: “some productivity increases will be lost through ‘leakages’ in the form of increased leisure, rather than consumption of increased output of goods” (p. 119). Leisure is the absence of production, not the absence of consumption. An increase in productivity means that a greater quantity of goods and services can be produced with the same input (or that the same quantity of goods and services can be produced with less input). Consequently, people can consume more with the same effort or consume the same amount with less effort.⁸ Let us say that an individual’s productivity increases, her wages increase, and she decides to cut back on the hours she works because she is on the backward-bending portion of her labor-supply curve. This is presumably the situation to which Carson is referring when he writes about productivity increases being realized in the form of leisure. But it is unclear how this results in any sort of “leakage.” This individual will still either spend or save her income. Greater savings means that investment in more roundabout methods of production becomes feasible, and successfully allocated capital investment will increase productivity even further (by saving, individuals are revealing their preference to consume in the future). But according to Carson’s narrative, there is no need for more investment; rather, there is already a surplus. But if it were true that no further profitable investments exist, we would already be in a state of abundance, which again would contradict the idea that people must still work in order to consume. Thus, this is simply a reiteration of the same claim implying a contradictory set of circumstances.

Carson’s confusion ultimately comes down to a failing to appreciate the implications of Say’s law: the fact that individuals are willing to supply labor implies that they demand goods and services. As stated by Rothbard (1995, pp. 27-28), “The wants of man are unlimited, and will continue to be until we achieve genuine general superabundance—a world marked by the prices of all goods and services falling to zero. But at that point there would be no problem of finding consumer demand, or, indeed, any economic problem at all. There would be no need to produce, to work, or to worry about

⁷ This discussion leaves out of consideration whether some goods or services could not be produced by the replicator. Yet such considerations would not change our conclusion: if there were goods and services that could not be produced, then there would still be demand for labor.

⁸ Of course, there is a third possibility: more is produced with less effort.

accumulating capital, and we would all be in the Garden of Eden.” Thus, true abundance poses no cause for concerns about unemployment.

III. Conclusion

The Homebrew Industrial Revolution: A Low-Overhead Manifesto is an ambitious undertaking that attempts to demonstrate how large-scale manufacturing and long-distance trade are inefficient. Unfortunately, it is largely based on a number of errors in economic reasoning and contradictory assumptions. As such, it fails to provide much credence to Carson’s vision of the freed market, which is characterized by numerous local economies containing a large number of small firms producing mostly for local markets. We have little reason to believe that in the absence of government intervention, individuals would not continue trading goods over long distances, investing in more roundabout processes of production, or engaging in product branding and marketing. This is not to say that many other things in a freed market would not be different to the extent Carson believes; it simply means that the particular issues mentioned above would probably not.

Moreover, many left-libertarian accounts of how differently the “freed market” would look from present-day mixed economies make the market as an institution appear extremely fragile, such that even a small amount of state intervention radically distorts market activity. As Horwitz (2012) puts it, “Eliminating every last grain of statism does not magically transform everything we might not like about really existing markets into a form that will match the goals of the traditional left.” This is not to say that we should not take an interest in developing a vision of what a freed market would look like; rather, any such vision should be grounded in reality rather than utopian ideals.

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